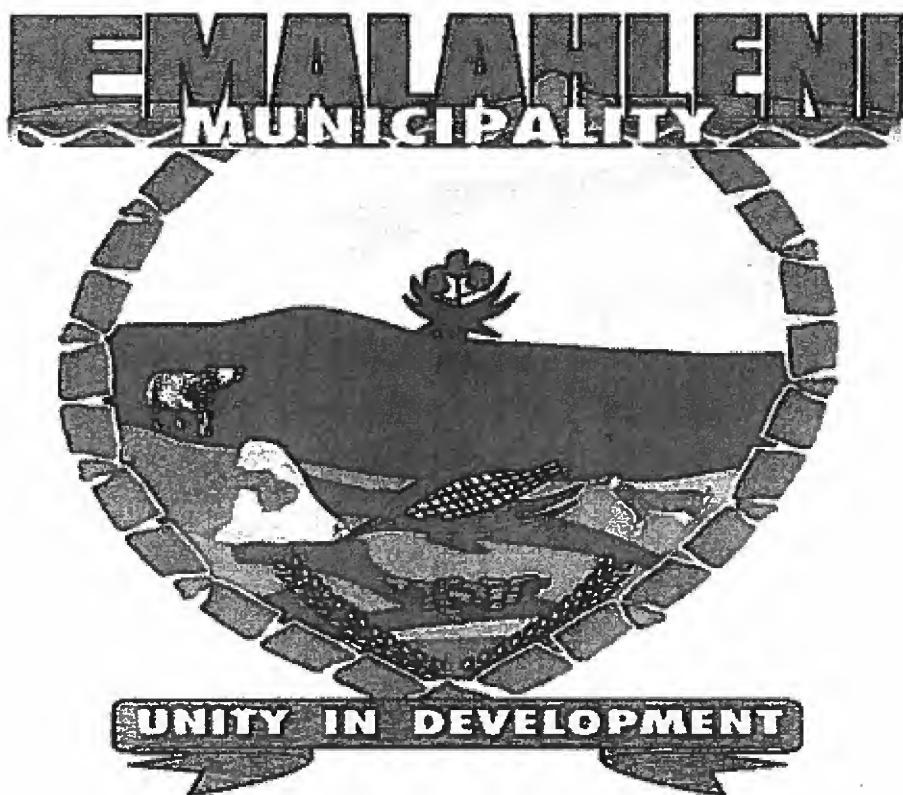


EMALAHLENI

MUNICIPALITY



[These financial statements have been audited]

FINANCIAL STATEMENTS

30 JUNE 2019

AUDITOR - GENERAL
SOUTH AFRICA
30 NOV 2019

EMALAHLENI MUNICIPALITY

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EMALAHLENI MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

GENERAL INFORMATION

NATURE OF BUSINESS

Emalahleni Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Emalahleni Municipality includes the following areas:

Dordrecht

Indwe

Lady Frere

MAYOR

N Nyukwana (Resigned 2 April 2019)

NF Koni (Appointed 2 April 2019)

SPEAKER

DS Kalolo

MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor (Resigned 2 April 2019)

N Nyukwana

Mayor (Appointed 2 April 2019)

NF Koni

Speaker

DS Kalolo

Executive Councillor

0

Executive Councillor

S Liwani

Executive Councillor

T Kulashe (Ndyumbo)

Executive Councillor

M Limba

Executive Councillor

MX Oyiya

MUNICIPAL MANAGER

VC Makedama

CHIEF FINANCIAL OFFICER

GP De Jager

REGISTERED OFFICE

Emalahleni Municipality

37 Indwe Road;

Lady Frere

5410

EMALAHLENI MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

GENERAL INFORMATION

AUDITORS

Office of the Auditor-General (Eastern Cape)

PRINCIPLE BANKERS

Standard Bank; 92 Cathcart RD; Queenstown; 5320

ATTORNEYS

NT Vuba Attorneys Inc
Ntsiki Pakade Attorneys and Consultants
Tonise Attorneys

RELEVANT LEGISLATION

Basic Conditions of Employment Act (Act no 75 of 1997)
Collective Agreements
Division of Revenue Act
Electricity Act (Act no 41 of 1987)
Employment Equity Act (Act no 55 of 1998)
Housing Act (Act no 107 of 1997)
Infrastructure Grants
Municipal Budget and Reporting Regulations
Municipal Finance Management Act (Act no 56 of 2003)
Municipal Planning and Performance Management Regulations
Municipal Property Rates Act (Act no 6 of 2004)
Municipal Regulations on Standard Chart of Accounts
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Systems Amendment Act (Act no 7 of 2011)
SALBC Leave Regulations
Skills Development Levies Act (Act no 9 of 1999)
Supply Chain Management Regulations, 2005
The Income Tax Act
Unemployment Insurance Act (Act no 30 of 1966)
Value Added Tax Act
Water Services Act (Act no 108 of 1997)

EMALAHLENI MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

GENERAL INFORMATION

MEMBERS OF THE EMALAHLENI MUNICIPALITY

WARD		COUNCILLOR
Ward 01	Councillor	Thozama Mrwebi
Ward 02	Councillor	Nolistem Kama
Ward 03	Councillor	Xolela Hendrick Njadu
Ward 04	Councillor	Nomzi Mary Tyhulu
Ward 05	Councillor	Siyabulela Bongo
Ward 06	Councillor	Nontombizanele Flowerdale Koni
Ward 07	Councillor	Sipo Ernest Zama
Ward 08	Councillor	Nosibulelo Mavis Nqono
Ward 09	Councillor	Linda Arnold Fatyela
Ward 10	Councillor	Zoyisile Given Moshane
Ward 11	Councillor	Thembi Florence Mondile
Ward 12	Councillor	Tandiwe Monica Ndlela
Ward 13	Councillor	Nowandisile Nobantu Kraqa
Ward 14	Councillor	Mncedisi Sydney Qomoyi
Ward 15	Councillor	Lizo Nelson Paul
WARD		COUNCILLOR
Ward 16	Councillor	Makosandile Makalesi
Ward 17	Councillor	Cecil Hluphekile Bobotyane
PR	Mayor	Nomveliso Nyukwana
PR	Mayor	NF Koni
PR	Speaker	Dumisa Shadrack Kalolo
PR	Chairperson of section 79 Committee	Patricia Lumka Mapete
PR	Executive Committee	Thandeka Gloria Kulashe
PR	Councillor	Nollitha Catherine Lali
PR	Chairperson of section 79 Committee	Primrose Badikazi Twala
PR	Executive Committee	Sibha Liwani
PR	Councillor	Thobeka Daphne Sixishe
PR	Councillor	Nokwandisa Mildred Ziduli
PR	Executive Committee	Mcebisi Stephen Limba
PR	Executive Committee	Ncedisa Myobile
PR	Councillor	Pleter Frederick Greyling
PR	Councillor	Michael Fumanekile Mthandeki
PR	Executive Committee	Mxolisi Peacemaker Oyiya
PR	Councillor	Rossenberg Zolile Feni
PR	Councillor	Zenzile Dennis Mahola
PR	Councillor	Kwaaiman Mjezu

EMALAHLENI MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2019, which are set out on pages 1 to 106 in terms of Section 128 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2020 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements were prepared on the going concern basis.



VC Maledama
Municipal Manager

Date

EMALAHLENI MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

	Notes	2019 R	2018 R
ASSETS			
Non-Current Assets		441 915 420	431 618 982
Property, Plant and Equipment	2	437 182 364	426 828 597
Investment Property	3	4 149 487	4 151 887
Intangible Assets	4	401 033	455 962
Heritage Assets	5	182 536	182 536
Current Assets		24 222 787	18 537 084
Receivables from Exchange Transactions	6	11 313 935	4 014 264
Receivables from Non-exchange Transactions	7	5 174 749	5 910 505
Operating Lease Asset	8	50 939	68 449
Taxes	9	3 538 224	2 677 451
Cash and Cash Equivalents	10	4 144 940	5 866 415
Total Assets		466 138 207	450 156 066
NET ASSETS AND LIABILITIES			
Non-Current Liabilities		17 749 921	11 598 507
Long-term Borrowings	11	371 872	779 237
Non-current Provisions	12	1 836 717	1 826 946
Non-current Employee Benefits	13	10 257 581	8 992 324
Payables from Non-exchange Transactions	18	5 283 751	-
Current Liabilities		43 945 770	30 590 913
Provisions	14	10 975 263	10 380 218
Current Employee Benefits	15	10 902 034	9 981 781
Trade and Other Payables from Exchange Transactions	16	14 844 298	9 860 161
Unspent Transfers and Subsidies	17	1 533 060	-
Payables from Non-exchange Transactions	18	5 283 752	-
Current Portion of Long-term Borrowings	11	407 365	368 752
Total Liabilities		61 695 691	42 189 419
Net Assets		404 442 516	407 966 647
Accumulated Surplus/(Deficit)		404 442 516	407 966 647
Total Net Assets and Liabilities		466 138 207	450 156 066



EMALAHLENI MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

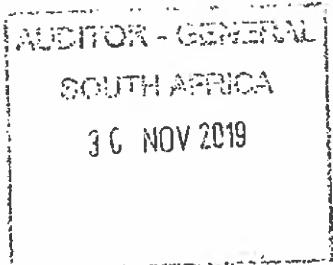
	Notes	2019 R	2018 R (Restated)
REVENUE			
Revenue from Non-exchange Transactions		175 040 570	163 028 518
Taxation Revenue		4 527 291	5 211 974
Property Rates	18	4 527 291	5 211 974
Transfer Revenue		168 109 940	165 419 736
Government Grants and Subsidies - Operating	20	123 284 528	121 753 786
Government Grants and Subsidies - Capital	20	44 825 412	33 665 950
Other Revenue		2 403 340	2 396 808
Actuarial Gains	13	853 763	846 504
Fines, Penalties and Forfeits		8 612	56 133
Interest Earned - Receivables from Non-exchange Transactions	27	1 540 965	1 494 171
Revenue from Exchange Transactions		34 685 146	20 802 760
Licences and Permits	21	1 744 786	1 640 120
Service Charges	22	23 929 420	13 023 060
Sales of Goods and Rendering of Services	23	304 069	129 239
Rental from Fixed Assets	24	893 643	813 070
Interest Earned - External Investments	25	870 360	1 182 620
Interest Earned - Receivables from Exchange Transactions	26	3 743 460	3 359 794
Agency Services		800 266	74 505
Operational Revenue	28	2 389 153	580 342
Total Revenue		209 725 717	183 831 268
EXPENDITURE			
Employee related cost	29	(81 209 853)	(74 700 209)
Remuneration of Councillors	30	(13 002 783)	(12 466 471)
Bad Debts Written Off		(1 509 338)	(5 260 944)
Contracted Services	31	(20 507 472)	(21 032 977)
Depreciation and Amortisation	32	(24 223 300)	(22 152 333)
Actuarial Losses	13	(90 050)	-
Finance Costs	33	(1 585 888)	(1 838 481)
Bulk Purchases	34	(9 624 972)	(13 258 882)
Inventory Consumed	35	(2 096 530)	(2 762 957)
Operating Leases		(168 944)	(322 305)
Transfers and Subsidies	36	(10 945 603)	(1 727 781)
Operational Costs	37	(27 679 523)	(26 065 767)
Total Expenditure		(192 644 256)	(181 689 107)
Operating Surplus/(Deficit) for the Year		17 081 460	2 242 161
Reversal of Impairment Loss/(Impairment Loss) on Receivables	38	(10 534 649)	(7 135 908)
Derecognition of fixed assets	2,6	(9 549 698)	-
Gains/(Loss) on Sale of Fixed Assets		(521 245)	(753 529)
NET SURPLUS/(DEFICIT) FOR THE YEAR		(3 524 131)	(5 647 275)

AUDITOR - GENERAL
SOUTH AFRICA
30 NOV 2019

EMALAHLENI MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Accumulated Surplus/ (Deficit)	Total
	R	R
Balance at 1 July 2017	414 858 273	414 858 273
Correction of Error - note 40	(1 244 352)	(1 244 352)
Restated balance	413 613 922	413 613 922
Net Surplus/(Deficit) for the year	(5 647 275)	(5 647 275)
Balance at 30 June 2018	407 966 647	407 966 647
Net Surplus/(Deficit) for the year	(3 524 131)	(3 524 131)
Balance at 30 June 2019	404 442 516	404 442 516



EMALAHLENI MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 R	2018 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Ratepayers and other		21 430 243	33 570 663
Government - Operating		123 751 289	121 753 786
Government - Capital		45 891 711	34 557 316
Interest		870 360	1 182 620
Cash payments			
Suppliers		(57 101 353)	(75 023 432)
Employees		(79 165 282)	(73 798 076)
Councillors		(12 991 555)	(12 466 471)
Finance Charges		(109 750)	(49 780)
Net Cash from Operating Activities	41	42 575 664	29 726 625
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(43 950 481)	(36 553 618)
Proceeds on Disposal of Fixed Assets		22 095	114 912
Purchase of Intangible Assets		-	(202 050)
Net Cash from Investing Activities		(43 928 386)	(36 640 756)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of Borrowing		(368 752)	(353 452)
Net Cash from Financing Activities		(368 752)	(353 452)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1 721 474)	(7 267 583)
Cash and Cash Equivalents at the beginning of the year		5 866 415	13 133 998
Cash and Cash Equivalents at the end of the year	10	4 144 940	5 866 415
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1 721 474)	(7 267 583)



EMALAHLENU MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

Insert note

Notes	Original Budget	Budget Adjustments (i.e. s18 and s31 of the MFMA)	Final Budget			Actual Outcome	Actual Outcome as % of Final Budget
			R	R	R		
ASSETS							
Current Assets							
Cash	273 204 227	(270 000 000)	3 204 227	3 204 227	1 416 110	-55,80%	43,2,1
Car Investment Deposits	588	2 000 000	728 000	2 000 588	2 728 350	38,40%	43,2,1
Consumer Debtors	35 401 459	(28 843 194)	8 558 395	8 558 395	11 315 935	32,20%	43,2,1
Other Debtors	40 605 122	(35 000 000)	5 605 122	5 605 122	8 763 611	56,38%	43,2,1
Inventory	5 850 988	(5 850 988)	-	-	-	0,00%	43,2,1
Total Current Assets	45.2.1	355 182 454	(335 794 102)	19 368 332	19 368 332	24 222 767	25,08%
Non-Current Assets							
Investment Property	380 798	(12 981 200)	380 798	380 798	4 149 087	981,80%	43,2,2
Property, Plant and Equipment	83 784 145	-	70 822 945	70 822 945	437 162 364	517,28%	43,2,2
Intangible Assets	100 000	-	100 000	100 000	401 033	301,03%	43,2,2
Heritage Assets	-	-	-	-	182 536	100,00%	43,2,2
Total Non-Current Assets	45.2.2	64 274 943	(12 981 200)	71 313 743	71 313 743	441 915 120	519,88%
TOTAL ASSETS							
	439 437 377	(348 755 302)	90 682 075	90 682 075	468 138 207	414,64%	
LIABILITIES							
Current Liabilities							
Trade and Other Payables	281 512 768	(288 000 000)	15 512 708	15 512 708	14 844 298	-4,31%	43,2,3
Payables from Non-exchange Transactions	-	-	-	-	5 283 752	100,00%	43,2,3
Provisions	-	-	-	-	10 975 263	100,00%	43,2,3
Current Employee Benefits	-	-	-	-	10 902 034	100,00%	43,2,3
Unspent Transfers and Subsidies	-	-	-	-	1 533 080	100,00%	43,2,3
Current Portion of Long-term Borrowings	-	-	-	-	407 365	100,00%	43,2,3
Total Current Liabilities	45.2.3	281 512 708	(288 000 000)	15 512 708	15 512 708	43 945 770	183,29%
Non-Current Liabilities							
Borrowing	258 840	-	258 840	258 840	371 072	43,76%	43,2,4
Payables from Non-exchange Transactions	-	-	-	-	5 283 751	100,00%	43,2,4
Provisions	-	-	-	-	1 636 717	100,00%	43,2,4
Current Employee Benefits	-	-	-	-	10 257 581	100,00%	43,2,4
Unspent Transfers and Subsidies	-	-	-	-	-	-	-
Total Non-Current Liabilities	45.2.4	258 840	-	258 840	258 840	17 748 921	6762,76%
TOTAL LIABILITIES							
	261 771 348	(288 000 000)	15 771 348	15 771 348	61 695 691	291,19%	
NET ASSETS							
Accumulated Surplus/(Deficit)	157 686 029	(82 755 302)	74 810 727	74 810 727	494 442 516	439,90%	
TOTAL NET ASSETS	45.2.6	157 686 029	(82 755 302)	74 810 727	74 810 727	494 442 516	439,90%

EMALAHLENI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

Note

	Note	Original Budget	Budget Adjustments (I.L.O. s28 and s31 of the MFMA)	Final Adjustment Budget			Actual Outcome	Actual Outcome as % of Final Budget
				R	R	R		
REVENUE								
Property Rates	4.615.318	(85.616)	4.549.700	4.549.700	4.549.700	4.549.700	4.527.291	-0.48% 43.2.6
Service Charges - Electricity Revenue	10.570.235	5.375.998	15.946.231	15.946.231	15.946.231	15.946.231	15.795.826	-0.94% 43.2.6
Service Charges - Refuse Revenue	4.628.580	1.395.497	6.024.087	6.024.087	6.024.087	6.024.087	8.132.583	35.00% 43.2.6
Rental of Facilities and Equipment	885.014	(272.624)	812.380	812.380	812.380	812.380	893.543	45.93% 43.2.6
Interest Earned - External Investments	2.045.454	(1.000.000)	1.045.454	1.045.454	1.045.454	1.045.454	870.260	-18.75% 43.2.6
Interest Earned - Outstanding Debtors	5.205.736	389.388	5.595.124	5.595.124	5.595.124	5.595.124	5.284.425	-5.55% 43.2.6
Fines	108.555	(60.155)	49.400	49.400	49.400	49.400	8.812	-82.57% 43.2.6
Licences and Permits	1.309.265	132.846	1.442.111	1.442.111	1.442.111	1.442.111	1.744.788	20.59% 43.2.6
Agency Services	1.312.897	-	1.312.897	1.312.897	1.312.897	1.312.897	800.288	-39.05% 43.2.6
Transfers Recognised - Operational	128.351.410	534.690	128.886.100	128.886.100	128.886.100	128.886.100	123.284.528	-2.84% 43.2.6
Other Revenue	833.926	3.088.333	3.922.259	3.922.259	3.922.259	3.922.259	3.556.975	-9.31% 43.2.6
Total Revenue (excluding capital transfers and contributions)	46.2.6	157.867.400	9.518.353	167.385.753	187.385.753	164.900.305		-1.48%
EXPENDITURE								
Employee Related Costs	93.341.595	(5.218.384)	88.123.211	88.123.211	88.123.211	88.123.211	81.209.853	-7.85% 43.2.7
Remuneration of Councillors	26.092.963	(12.958.294)	13.134.669	13.134.669	13.134.669	13.134.669	13.022.783	-1.00% 43.2.7
Debt Impairment	6.600.000	-	6.000.000	6.000.000	6.000.000	6.000.000	10.534.649	75.58% 43.2.7
Depreciation and Asset Impairment	23.721.031	-	23.721.031	23.721.031	23.721.031	23.721.031	24.225.300	2.12% 43.2.7
Achromal losses	-	-	-	-	-	-	90.050	100.00% 43.2.7
Finance Charges	257.212	7.438	264.650	264.650	264.650	264.650	1.585.888	498.24% 43.2.7
Bulk Purchases	15.070.000	(2.000.000)	13.070.000	13.070.000	13.070.000	13.070.000	9.624.972	-26.36% 43.2.7
Other Materials	2.885.716	689.869	3.675.585	3.675.585	3.675.585	3.675.585	2.098.530	-42.98% 43.2.7
Contracted Services	13.506.709	6.674.950	20.181.659	20.181.659	20.181.659	20.181.659	20.507.472	1.61% 43.2.7
Transfers and Grants	390.012	(245.000)	145.012	145.012	145.012	145.012	10.945.603	7448.07% 43.2.7
Other Expenditure	22.524.482	4.635.843	27.161.305	27.161.305	27.161.305	27.161.305	29.357.805	8.08% 43.2.7
Loss on Disposal of PPE	-	-	-	-	-	-	521.245	100.00% 43.2.7
Derecognition of fixed assets	-	-	-	-	-	-	9.549.698	100.00% 43.2.7
Total Expenditure	45.2.7	203.889.700	(8.412.576)	195.477.122	195.477.122	213.249.848		9.09%
Surplus/(Deficit)		(46.022.300)	17.930.931	(28.091.369)	(28.091.369)	(46.349.543)		72.12%
Transfers Recognised - Capital		42.256.900	-	42.256.900	42.256.900	44.825.412		6.08%
Surplus/(Deficit) for the year		(3.765.400)	17.930.931	14.185.531	14.185.531	(3.524.131)		-124.88%

EMALAHLENI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Original Budget	Budget Adjustments (i.e. \$28 and \$31 of the MFMA)	Final Adjustment Budget		Actual Outcome	Actual Outcome as % of Final Budget					
				R	R							
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Taxation		1 815 380	(65 616)	1 549 742	1 549 742	1 734 088	11,90% 43,2,8					
Service Charges		11 133 212	2 031 448	13 164 660	13 164 660	7 056 938	-6,09% 43,2,8					
Other Revenues		3 625 798	3 086 333	6 714 131	6 714 131	12 595 220	87,65% 43,2,8					
Government - Operating		123 829 410	3 056 690	126 886 100	126 886 100	123 751 289	-2,47% 43,2,8					
Government - Capital		44 278 900	(2 022 000)	42 256 900	42 256 900	45 891 711	8,60% 43,2,8					
Interest		3 930 408	(810 612)	3 319 798	3 319 798	870 360	-73,78% 43,2,8					
Payments		(151 801 188)	(5 545 000)	(157 346 188)	(157 346 188)	(149 258 190)	-5,14% 43,2,8					
Suppliers and Employees		(2 215 786)	1 951 000	(264 786)	(264 786)	(109 750)	-58,56% 43,2,8					
Finance costs		(280 090)	145 000	(145 000)	(145 000)	-	-100,00% 43,2,8					
Transfers and Grants												
Net Cash from/(used) Operating Activities	45.2.8	34 106 114	2 029 241	36 135 355	36 135 355	42 575 664	17,82%					
CASH FLOW FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE				+	22 095	100,00% 43,2,9						
Payments												
Capital Assets				-	(43 950 481)	100,00% 43,2,9						
Net Cash from/(used) Investing Activities	45.2.9	-	-	-	- (43 950 481)	#DIV/0!						
CASH FLOW FROM FINANCING ACTIVITIES												
Receipts												
Borrowing long term/refinancing		15 000 000	(15 000 000)	-	-	-	#DIV/0!					
Payments		(941 181)	-	(941 181)	(941 181)	(368 752)	-60,82% 43,2,10					
Repayment of Borrowing		14 058 819	(15 000 000)	(941 181)	(941 181)	(368 752)	-60,82% 43,2,10					
Net Cash from/(used) Financing Activities	45.2.10	48 164 933	(12 970 759)	35 194 174	35 194 174	(1 721 474)	-104,89%					
NET INCREASE/(DECREASE) IN CASH HELD		16 270 000	(9 820 000)	6 450 000	6 450 000	5 886 415	-9,05%					
Cash and Cash Equivalents at the year begin:												
Cash and Cash Equivalents at the year end:		64 434 933	(22 790 759)	41 644 174	41 644 174	4 144 941	-90,06%					

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the annual financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the annual financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and based on the Municipal Budget and Reporting Regulations format. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of Comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2019 to 30 June 2019. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statements of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included in the Statements of Comparison of Budget and Actual Amounts. Material differences are being defined by Management as 10% of a specific line-item with a minimum of R1 million.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2017/18 financial year. The implementation date of GRAP 18 is 1 April 2020

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 20 (Original – June 2011)	Related Party Disclosure The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.	1 April 2019
GRAP 32 (Original – Aug 2013)	Service Concession Arrangements: Grantor The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity. No such transactions or events are expected in the foreseeable future.	1 April 2019
GRAP 34 (Revised – April 2019)	Separate Financial Statements The objective of this Standards is to prescribe the accounting and disclosure requirements in controlled entities, joint ventures and associates when an entity prepares separate financial statements. No significant impact expected as no such transactions or events are expected in the foreseeable future	Unknown

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

GRAP 35 (Revised – April 2019)	Consolidated Financial Statements The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. No significant impact expected as no such transactions or events are expected in the foreseeable future.	Unknown
GRAP 36 (Revised – April 2019)	Investments in Associates and Joint Ventures The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. No significant impact expected as no such transactions or events are expected in the foreseeable future.	Unknown
GRAP 37 (Revised – April 2019)	Joint Arrangements The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements) No significant impact expected as no such transactions or events are expected in the foreseeable future.	Unknown
GRAP 38 (Revised - April 2019)	Disclosure of Interest in Other Entities The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate: a) the nature of, and risks associated with, its interest in controlled entities unconsolidated controlled entities, joint arrangements and associates, and structure entities that are not consolidated; and b) the effects of those interests on its financial position, financial performance and cash flows. No significant impact expected as no such transactions or events are expected in the foreseeable future.	Unknown

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

IGRAP 17	Service Concessions Arrangements Where a Grantor Controls a Significant Residual Interest in a Asset This interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease No such transactions or events are expected in the foreseeable future.	Unknown
GRAP 104 (Revised – April 2019)	Financial Instruments The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	Unknown
GRAP 108 (Original – Sept 2013)	Statutory Receivables The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy	1 April 2019
GRAP 109	Accounting by Principles and Agents The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	1 April 2019
GRAP 110	Living and non-living resources The objective of this Standard is prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.	1 April 2020

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	No significant impact expected as no such transactions or events are expected in the foreseeable future.	
IGRAP 18	Recognition and Derecognition of Land The Interpretation provide guidance on when an entity should recognise and derecognise land as an asset in its financial statements. The municipality needs to assess whether there are any changes to binding agreements that may impact its assessment of control.	1 April 2019
IGRAP 19	Liabilities to Pay Levies The Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19. No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation.	1 April 2019

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.9. LEASES

1.9.1 *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9.2 *Municipality as Lessor*

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.12. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The Municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

(b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.13. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.13.1 Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. For retired members, Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

1.13.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

1.13.3 Staff Leave accrued

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Unused leave is being capped at 48 days.

Accumulated leave is vesting.

1.13.4 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.13.5 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.13.6 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors.

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable.

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.13.7 Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.14. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are not capitalised to the cost of that asset.

Under the benchmark treatment, borrowing costs are recognised as an expense in the period in which they are incurred, regardless of how the borrowings are applied.

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

Asset Class	Asset Sub-grouping	Useful Life (Yrs)
Land	None	Indefinite
Buildings	None	5 - 100
Infrastructure	Landfill Site	10 - 100
	Electricity	1 - 75
	Water	12 - 182

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Asset Class	Asset Sub-grouping	Useful Life (Yrs)
	Roads	1-120
	Security Measures	1 – 50
Community Assets	Cemeteries & Fencing	1 – 100
	Halls	5 -100
	Library	5-100
	Buildings Other	5-100
	Parks and Gardens	1 - 50
	Sportfields and Stadia	1- 100
Leased Asset	None	3
Heritage	None	Indefinite
Other Assets	Computer Hardware	1 – 25
	Plant and Equipment	1 – 25
	Furniture and Other Office Equipment	1 – 40
	Markets	1 - 35
	Vehicles and Specialised Vehicles	1 – 55

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.15.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2010.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.16. INTANGIBLE ASSETS

1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the Municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.16.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	Years
Computer Software	2 - 10
Computer Software Licenses	2 - 10

1.16.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, Issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2010.

1.17. INVESTMENT PROPERTY

1.17.1 Initial Recognition

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

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Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.17.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	Years
Buildings	20 - 100

1.17.4 De-recognition

Investment property is derecognised when it is disposed of or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

1.18. HERITAGE ASSETS

1.18.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

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A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.18.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.18.3 Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.18.4 De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.18.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

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In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur

when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no

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impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20. INVENTORIES

1.20.1 *Initial Recognition*

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.20.2 *Subsequent Measurement*

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

1.21. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.21.1 *Initial Recognition*

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of

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the municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.21.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.21.2.1 Receivables

Receivables are classified as financial assets at amortised cost and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics

and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised Impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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1.21.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.21.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.21.2.4 Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21.3 De-recognition of Financial Instruments

1.21.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor

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retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.21.3.2 *Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.21.4 *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.22 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.22.1 *Initial Recognition*

Statutory receivables are recognised when the related revenue is recognised.

1.22.2 *Measurement*

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

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The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.22.3 *Derecognition*

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
 - (i) derecognise the receivable; and
 - (ii) recognise separately any rights and obligations created or retained in the transfer.

1.23. REVENUE

1.23.1 *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

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Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

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1.23.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity is based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

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Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue from the sale of goods is recognised when:

- Substantially all the risks and rewards in those goods are passed to the consumer; and
- The municipality seizes managerial involvement and control of the goods; and
- The amount of the revenue can be measured reliably; and
- It is probable that economic benefits or service potential associated with the transaction will flow to the municipality; and
- The costs incurred or to be incurred can be measured reliably.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable.

However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.24. RELATED PARTIES

The Municipality resolved to formulate an accounting policy based on the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same Municipality (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an Municipality of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an Municipality who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.26. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability. A Contingent asset usually arise from unplanned or other unexpected events that are not wholly within the control of the entity and give rise to the possibility of an inflow of economic benefits or service potential to the entity.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities and assets.

1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the annual financial statements:

1.29.1 Post-retirement medical obligations and Long service awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 3 of the annual financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.29.2 Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.29.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.29.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the asset.

1.29.5 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.29.6 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.29.7 Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.29.8 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

1.29.9 Staff leave accrued

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated. Unused leave is being capped at 48 days.

1.29.10 Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

1.29.11 Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using 5 days' worth of unused electricity.

1.29.12 Componentisation of infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.29.13 Impairments of assets – Capitalised Restoration Cost

Impairment charges relating to capitalised restoration costs are linked to fluctuations in the discount rate used to unwind the provision relating to this asset. This discount rate is linked to the prime interest rate and any movement in this rate will result in the impairment/reversal of impairment of the asset.

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.30. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.31. CAPITAL COMMITMENTS

Capital commitments disclosed in the annual financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.32. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the annual financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.33. DISCONTINUED OPERATIONS

Discontinued operation is a component of the Municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

To qualify as a discontinued operation, the disposal must occur within a single co-ordinated plan. Once the disposal plan has been approved, the Municipality reclassifies all related assets and liabilities associated with the discontinued operations as a separate line-item in the Statement of Financial Position. The Municipality subsequently measures and account for assets and liabilities associated with discontinued operations in accordance with the respective Standards of GRAP applicable to that asset or liability.

All revenue and expenditure associated with the discontinued operations is disclosed as a one line-item in the Statement of Financial Performance. Detail of the revenue and expenditure associated with the discontinued operations is disclosed in the notes.

EXAMPLE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2.1 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2014

30 JUNE 2014 (Continued)

	Opening Balance	Correction of Error	Cost Under Construction	Additions	Transfers	Disposals/Impairment	Opening Balance	Accumulated Depreciation and Impairment Losses			Carrying Value
								Transfers	Cancellation of Error	Depreciation	
Land and buildings											
Land	33 770 846						33 770 846				33 770 846
Buildings	30 902 535						30 902 535	4 039 970			26 313 955
Work in progress	6 215 579						6 215 579				6 050 473
	69 888 960				2 838 894		-	72 723 814	4 039 970		66 125 324
Infrastructure											
Infrastructure - Electricity	25 508 318						25 673 668	12 352 749			
Infrastructure - Road Transport	370 482 751						384 513 942	211 368 851			12 631 477
Infrastructure - Drains	11 748 553						11 746 553	4 201 373			156 713 460
Infrastructure - Other											7 387 711
Work in progress	38 819 860				18 568 095	(13 813 181)	(0 549 680)	34 013 486			
	446 520 321				13 960 841	18 556 085	(13 813 181)	(0 549 680)	455 769 649	227 820 632	245 884 512
Community Assets											
Community Facilities	10 488 877						10 488 877	1 269 216			1 751 876
Cemetery	49 568 017						47 862 004	4 189 583			4 872 901
Community Halls							489 050	49 981			55 005
Libraries	499 000						6 727 786	342 445			443 965
Parks & gardens	6 727 796						677 583	20 087			587 210
Buildings - Community Other	977 593						39 842 000	19 951			40 757
Recreational facilities	39 842 000						37 974 781	7 490 150			9 842 000
Sports Fields & studs	37 974 781						18 131 475				6 851 643
Work in progress	1 202 234				22 204 548	(7 275 271)					18 131 475
	138 300 095				77 753 771	22 204 548	(7 275 271)	-	160 604 617	23 164 200	2 418 029
											26 600 228
											134 904 383

30 JUNE 2014 (Continued)

	Opening Balance	Correction of Error	Cost Under Construction	Additions	Transfers	Disposals/Impairment	Opening Balance	Accumulated Depreciation and Impairment Losses			Carrying Value
								Transfers	Cancellation of Error	Depreciation	
Other Assets											
Computers - hardware/equipment	2 747 025						(26 050)	2 807 312	1 200 133		
Furniture and other office equipment	7 636 137						7 641 677	2 822 702	752 262		1 151 009
General vehicles	21 101 484						(65 022)	20 973 576	4 729 515		3 375 122
Maint.	2 554 414							2 554 414	329 707		5 852 246
Plant & equipment	1 158 313							1 179 013	459 256		2 179 432
Other	35 320 383							320 580	87 487		530 076
	69 343 868				847 297		(58 070)	35 818 572	9 420 891		11 018 949
Leases											
Furniture and Office Equipment	1 205 946							1 205 946	68 066		
	1 205 946							1 205 946	68 066		
											460 065
Total	69 343 868				22 103 105	43 582 130	(21 028 450)	775 822 569	264 620 071		13 691 697
											(145 749)
											265 840 303
											437 182 384

EXAMPLE MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

30 JUNE 2016

	Opening Balance	Correction of Error	Additions	Cost Under Construction	Transfers	Disposals/Impairment	Closing Balance	Accumulated Depreciation and Impairment Losses				Carrying Value
								Depreciation	Correction of Error	Depreciation	Disposals/Impairment	
Land and Buildings												
Land	23 777 160						(81 500)	33 685 666				31 685 666
Buildings	30 977 735		1 208 645					30 977 735	3 601 000			26 917 756
Work in progress	4 064 824							6 213 879	3 591 000			5 213 579
	68 759 825		1 208 645					68 865 890	3 591 000			65 847 001
Infrastructure												
Infrastructure - Electricity	21 845 848							25 509 318	11 000 737			12 352 749
Infrastructure - Road Transport	353 772 001		3 840 470					370 402 751	185 813 852			156 085 820
Infrastructure - Drains	11 746 583		16 850 750					11 745 553	4 053 927			7 545 180
Infrastructure - Other												
Work in progress	30 725 643							38 618 680				38 618 680
	417 810 655							446 535 301	211 776 226			216 614 319
Community Assets												
Community Facilities	10 489 877							10 489 877	765 307			1 259 216
Cemeteries	40 558 817							40 588 817	3 703 733			4 169 583
Community Halls								498 900	44 900			49 981
Libraries	5 187 867							6 727 796	178 071			5 081 351
Parties & Gardens								1 955 359	555			342 445
Bridges & Community Other	39 842 000		977 684					39 842 000	9 842 000			193 452
Recreational Facilities	36 546 619		448 296					36 897 115	6 392 053			9 842 000
Sports Fields & Stadia									1 203 204			7 490 169
Work in progress								139 300 985				132 294
	134 112 094		239 635	2 985 771	2 522 327	(1 559 809)		29 227 395				23 184 200
												113 115 859

30 JUNE 2016 (Continued)

	Opening Balance	Corrections of Error	Additions	Cost Under Construction	Transfers	Disposals/Impairment	Closing Balance	Accumulated Depreciation and Impairment Losses				Carrying Value
								Depreciation	Correction of Error	Depreciation	Disposals/Impairment	
Other Assets												
Computer Equipment	2 548 187						(124 970)	2 747 825	797 411			(59 968)
Furniture and other office equipment	7 216 516		424 996				7 598 137	1 885 452	748 237			1 200 133
General Vehicles	20 385 306		1 606 593				21 101 484	3 723 422	1 205 859			2 622 375
Markets							2 556 414	242 075	67 623			(189 606)
Plant & Equipment	1 168 313						1 158 313	272 446	187 110			1 371 948
Other	34 056 876		174 190					358 190		13 785		248 706
			2 530 387					35 520 263	7 005 607			459 057
Leases												
Computer Equipment	612 128						(102 126)	1 208 946	408 063			87 487
Furniture and Office Equipment												
Machinery and Equipment												
Transport Assets												
	655 852 027		220 686					612 126	1 208 946			220 703
			22 461 079	30 830 174	(21 773 827)	(1 922 489)		61 448 686	243 616 093			20 111 592
Total												9 406 051

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2.2 Asset verification

The municipality undertook a full asset verification for this financial year reporting period. This process includes a number of processes, some of which are:

- Prior identification of all locations at which assets are located.
- Allocating areas to be counted to asset verification team members.
- Following systematic approach to ensure a full physical verification (assets should not be omitted or double counted).
- Verifying assets at the same time to ensure no movement takes place to cover irregularities and avoid any double counting or omissions.

After the verification process, assets are compared to the opening balances of the FAR to ensure the assets disclosed in the prior are included in the current year.

Some 185 movable assets out of a total movable asset database of 3022 have been included in the FAR as assets under review.

The LM had obtained Council approval to write off assets as part of the year procedures, however, due to the type of assets, the LM has resolved to write off these assets.

The AMU of the LM deem it prudent to follow a more detailed process to identify the reasons these assets could not be identified during the 2018/19 asset count.

These assets are summarised per class and value as follows:

Asset class	Number of assets	Cost price
Computers - hardware/equipment	18	46 392
Furniture and other office equipment	168	48 588
General vehicles	1	5
Plant & equipment	7	58 984
Grand Total	194	163 928

2.3 Property, Plant and Equipment which is in the process of being constructed or developed:

	2019 R	2018 R
Infrastructure Assets		
Roads	34 013 487	38 810 680
Electricity	28 307 785	21 795 585
Solid Waste	7 474 417	7 474 417
	171 304	9 549 698
Community Assets		
Other Assets	18 131 475	1 202 204
	8 050 473	6 213 679
Total Property, Plant and Equipment under construction	58 195 435	45 235 463

The movements for the year can be reconciled as follows:

Balance at beginning of year	45 235 463	34 730 587
Expenditure during the year	43 598 131	32 278 504
Assets unbundled during the year	(21 088 486)	(21 773 628)
Asset derecognised	(9 549 698)	-
Balance at end of year	58 195 428	45 235 463

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2019 R	2018 R
2.4 Property, Plant and Equipment that is taking a significantly longer period of time to complete than expected:		
Infrastructure Assets		
Electricity	7 474 417	7 474 417
Total	<u>7 474 417</u>	<u>7 474 417</u>
<i>Due to unforeseen and unplanned events of public protests and unsatisfactory performance by the contractor the WIP projects took longer than anticipated. The contract with the contractor has since been terminated. The project has since been halted. Refer to note 2.5</i>		
2.5 Property, Plant and Equipment where construction or development has been halted:		
Infrastructure Assets		
Roads	17 024 115	20 772 551
Electricity	-	3 748 438
Solid Waste	7 474 417	7 474 417
Total	<u>9 549 698</u>	<u>9 549 698</u>
<i>The project was incomplete because the service provider appointed to supply and deliver material did not complete the delivery of materials required. The project was then taken over by the municipality as an in house project. The estimated outstanding material cost and labour according to initial quantities is R 1 180 840. The remaining work is estimated to be completed by 29 February 2019 using in-house construction team.</i>		
<i>The Ledy Frene Landfill site has been put on hold indefinitely due to community protests against the development of the site. The land identified forms part of a land claim. Emalahleni Municipality will not proceed with development until a new area has been identified and agreed upon by the community.</i>		
<i>The municipality has assessed the potential to receive future economic benefits or service potential from the landfill site and has determined that the likelihood thereof is remote. As a result the municipality deemed it prudent to derecognise the landfill site.</i>		
2.6 Expenditure incurred to repair and maintain Property, Plant and Equipment:		
Employee related costs	1 197 161	
Other materials	1 685 410	1 069 228
Contracted Services	3 265 335	1 816 579
Other Expenditure	-	18 981
Total Repairs and Maintenance	<u>4 930 744</u>	<u>4 101 949</u>
2.7 Assets pledged as security:		
Leased Property, Plant and Equipment of R 737 891 (2018: R 1 139 878) is secured for leases as set out in Note 11.		
2.8 Third party payments received for losses incurred:		
Payments received (Excluding VAT)	1 872 115	-

EMALAHLENI MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
2.9 Contractual commitments for acquisition of Property, Plant and Equipment:		
Approved and contracted for:	31 525 312	29 148 582
Community	1 081 588	41 524
Other	30 443 724	28 107 058
Total	31 525 312	29 148 582
This expenditure will be financed from:		
Government Grants	31 525 312	29 148 582
Total	31 525 312	29 148 582
	2019 R	2018 R
3. INVESTMENT PROPERTY		
3.1 Net Carrying amount at 1 July	4 151 887	4 154 287
Cost/Valuation	4 226 300	4 226 300
Buildings	240 000	240 000
Land	3 986 300	3 986 300
Accumulated Depreciation	(74 413)	(72 613)
Depreciation for the year	(2 400)	(2 400)
Net Carrying amount at 30 June	4 149 487	4 151 887
Cost/Valuation	4 226 300	4 226 300
Buildings	240 000	240 000
Land	3 986 300	3 986 300
Accumulated Depreciation	(76 813)	(74 413)
3.2 Revenue from Investment Property		
Revenue derived from the rental of Investment Property	656 477	5 734
	2019 R	2018 R
4. INTANGIBLE ASSETS		
4.1 Net Carrying amount at 1 July	466 962	306 838
Cost	1 207 831	1 005 781
Accumulated Amortisation	(751 869)	(696 943)
Additions	-	202 050
Amortisation	(54 930)	(54 926)
Net Carrying amount at 30 June	401 033	466 962
Cost	1 207 831	1 207 831
Accumulated Amortisation	(800 798)	(751 869)
No intangible asset were assed having an indefinite useful life.		
There are no internally generated intangible assets at reporting date.		
There are no intangible assets whose title is restricted.		
There are no intangible assets pledged as security for liabilities.		
There are no contractual commitments for the acquisition of intangible assets.		

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
6. HERITAGE ASSETS		
6.1 Net Carrying amount at 1 July	182 536	182 536
Cost	182 536	182 536
There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.		
There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.		
There are no Heritage Assets pledged as security for liabilities.		
There are no Heritage Assets that are used by the municipality for more than one purpose.		
	2019 R	2018 R
6. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	9 218 550	2 620 242
Property Rentals	3 321 563	2 678 198
Waste Management	48 739 265	40 303 030
Service charges	151 406	-
Chris Hani Debtor	1 140 309	1 140 309
Total: Receivables from exchange transactions (before provision)	53 571 093	48 741 780
Less: Provision for Debt Impairment	(52 257 158)	(42 727 516)
Total: Receivables from exchange transactions (after provision)	11 313 835	4 014 284
Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.		
The fair value of receivables approximate their carrying value.		
<i>(Electricity): Ageing</i>		
Current (0 - 30 days)	825 303	431 184
31 - 60 Days	391 546	230 202
61 - 90 Days	400 146	89 856
+ 90 Days	7 801 553	1 888 904
Total	9 218 550	2 620 242
<i>(Property Rentals): Ageing</i>		
Current (0 - 30 days)	75 073	59 475
31 - 60 Days	74 657	55 968
61 - 90 Days	74 218	55 871
+ 90 Days	3 087 615	2 506 886
Total	3 321 563	2 678 198
<i>(Waste Management): Ageing</i>		
Current (0 - 30 days)	2 896 658	566 716
31 - 60 Days	750 104	538 175
61 - 90 Days	741 481	537 002
+ 90 Days	45 351 022	38 671 138
Total	48 739 265	40 303 030

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
<u>(Services charged)</u>		
Current (0 - 30 days)	1 408	-
31 - 60 Days	150 000	-
Total	151 408	-
<u>Cross Hami Debtor: Aceries</u>		
> 60 Days	1 140 309	1 140 309
Total	1 140 309	1 140 309
<u>(Total): Aceries</u>		
Current (0 - 30 days)	3 598 441	1 047 375
31 - 60 Days	1 386 308	824 433
61 - 90 Days	1 215 645	682 731
> 90 Days	57 380 499	44 187 241
Total	63 871 093	46 741 780
<u>Reconciliation of Provision for Debt Impairment</u>		
Balance at beginning of year	42 727 516	42 258 195
Contribution to provision	11 038 981	5 669 746
Write offs	(1 509 338)	(5 200 425)
Balance at end of year	52 257 158	42 727 516
The total amount of this provision is R57 387 094 (2018: R42 727 516) and consist of:		
Services	49 359 584	40 684 875
Other Debtors	2 887 574	2 042 641
Total Provision for Debt Impairment on Receivables from exchange transactions	52 257 158	42 727 516
<u>Ageing of amounts past due but not impaired:</u>		
1 month past due	1 286 308	824 433
2+ months past due	6 349 188	2 142 455
	7 715 496	2 966 888

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2019 R	2018 R
7. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Taxes - Rates	24 243 305	19 420 209
Eskom	(0)	3 357 740
Control, Clearing and Interface Accounts	49 311	-
Other Receivables	8 634	8 634
	<hr/>	<hr/>
Less: Provision for Debt Impairment	24 301 249	22 758 583
Total Receivables from non-exchange transactions	<hr/> 8 174 749	<hr/> (16 876 078)
	<hr/>	<hr/>

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

(Rates): Ageing

	2019 R	2018 R
Current (0 - 30 days)	105 478	185 900
31 - 60 Days	589 906	396 910
61 - 90 Days	587 139	389 655
+ 90 Days	22 920 781	18 487 655
Total	<hr/> 24 243 305	<hr/> 19 420 209

	2019 R	2018 R
<u>Reconciliation of Provision for Debt Impairment</u>		
Balance at beginning of year	16 876 078	13 750 525
Contribution to provision	2 250 422	3 180 073
Write offs	-	(60 519)
Balance at end of year	<hr/> 19 126 500	<hr/> 16 876 078

The total amount of this provision is R19 126 500 (2018: R 16 876 078) and consist of:

	2019 R	2018 R
Taxes	19 126 500	16 876 078
Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions	<hr/> 19 126 500	<hr/> 16 876 078
<u>Ageing of amounts past due but not impaired:</u>		
1 month past due	589 906	185 900
2+ months past due	4 381 420	2 172 151
	<hr/> 4 951 326	<hr/> 2 358 141

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

The outstanding fine receivable balance at year end is reduced to its recoverable amount by recognising a provision for impairment against the receivable raised. This is considered to be a subsequent event. The provision for impairment is based on current and past collection rates applicable to fines.

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
8. OPERATING LEASE ARRANGEMENTS		
8.1 The Municipality as Lessor		
Operating Lease Asset	50 939	68 449
Reconciliation		
Balance at the beginning of the year	68 449	78 460
Movement during the year	(17 510)	(10 031)
Balance at the end of the year	50 939	68 449

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	99 885	110 327
1 to 5 Years	107 876	207 761
Total Operating Lease Arrangements	207 761	318 088

This operating lease income determined from contracts that have a specific condition income and does not include leases which has a undetermined conditional income.

	2019 R	2018 R
9. TAXES		
9.1 VAT Payable		
VAT Output in Suspense	(4 017 506)	(2 826 652)
Less: Contribution to Provision for Doubtful Debt Impairment	2 688 773	1 423 358
Total VAT Payable	(1 348 736)	(1 403 294)
9.2 VAT Receivable	4 886 960	7 708 129
Less: Provision for Impairment	-	(3 627 384)
Total VAT Receivable	4 886 960	4 080 745
9.3 Net VAT (Payable)/Receivable	3 638 224	2 677 481

VAT is payable on the receipts basis. VAT is paid over to SARB only once payment is received from debtors.

An amount of R3 627 384 was impaired during 2018 which relates to VAT transactions preceding 2013, which, in accordance with Section 16(3) and Section 55 of the VAT Act of 1991 are not considered recoverable as the 5 year period has prescribed. Management is of the opinion that an impairment loss in this regard is appropriate as the balance has prescribed and will not be recovered.

Reconciliation of Provision for Debt Impairment

Balance at beginning of year	3 627 384	-
Contribution to provision	-	3 627 384
Written off	(3 627 384)	-
Balance at end of year	-	3 627 384

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
10. BANK ACCOUNTS			
10.1 Cash and Cash Equivalents			
Cell Investments Deposits		2 728 830	2 602 716
Bank Accounts		1 415 640	3 263 220
Cash Floats		470	470
Total Cash and Cash Equivalents - Assets		4 144 940	5 856 416
The municipality has the following bank accounts:			
Current Accounts			
Standard Bank - Current Account - 082-685-956		24 420	2 115 688
Standard Bank - Current Account - 082-630-631		515 678	977 032
First National Bank - Current Account - 620-4698-6428		875 542	170 528
		1 415 640	3 263 220
All accounts are cleared daily to Primary Bank Account; current account 082-685-956.			
Call Deposits and Investments			
Investec Account Number 451/465258		938 846	1 334 888
First National Bank Account Number 74366334164		257 548	240 743
First National Bank Account Number 74761987110		14 244	13 382
Standard Bank Account Number 08 879 9697 - 012		11 105	10 879
Standard Bank Account Number 08 879 9697 - 001		202 057	202 057
ABSA Account Number: 20-7851-7839		408 618	387 299
ABSA Account Number 20-7702-7722		138 941	131 218
Standard Bank Account Number 08 879 9697 - 020		302 140	282 241
Standard Bank Account Number: 061336637		457 335	-
		2 728 830	2 602 716
Details of current accounts are as follow:			
Standard Bank - Current Account - 082-685-956		2 115 688	181 976
Cash book balance at beginning of year		24 420	2 115 688
Cash book balance at end of year			
Bank statement balance at beginning of year		2 115 688	181 976
Bank statement balance at end of year		24 420	2 115 688
Standard Bank - Current Account - 082-630-631			
Cash book balance at beginning of year		877 032	2 388 023
Cash book balance at end of year		515 678	977 032
Bank statement balance at beginning of year		877 032	2 388 023
Bank statement balance at end of year		515 678	977 032
First National Bank - Current Account - 620-4698-6428			
Cash book balance at beginning of year		170 528	325 642
Cash book balance at end of year		875 542	170 528
Bank statement balance at beginning of year		170 528	325 642
Bank statement balance at end of year		875 542	170 528

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
11. LONG-TERM BORROWINGS		
Capitalised Lease Liability - At amortised cost	779 237	1 147 989
Less: Current Portion transferred to Current Liabilities	779 237	1 147 989
Capitalised Lease Liability - At amortised cost	(407 365)	(368 762)
	(407 365)	(368 762)
Total Long-term Borrowings	371 872	779 237
	371 872	779 237

11.1 The obligations under finance leases are scheduled below:

	Minimum payments
Amounts payable under finance leases:	
Payable within one year	466 954
Payable within two to five years	389 128
	856 082
Less: Future finance obligations	1 323 035
Present value of finance lease obligations	(76 845)
	779 237
	1 147 989

The capitalised lease liability consists out of the following contracts:

Supplier	Description of leased item	Effective interest rate	Annual Escalation	Lease Term	Maturity Date
Xerox C405	4 x copiers	6,25%	0%	3 Years	30/04/2021
Xerox C7020/S	4 x copiers	3,17%	0%	3 Years	30/04/2021
Xerox WC7225	2 x copiers	6,25%	0%	3 Years	30/04/2021
Xerox C8070	4 x copiers	5,02%	0%	3 Years	30/04/2021
Xerox D95	1 copier	5,02%	0%	3 Years	30/04/2021

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Hire Purchases and Leases are secured by property, plant and equipment - Note 2

EMALAHLEM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
12. NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	1 836 717	1 826 946
Total Non-current Provisions	1 836 717	1 826 946
	2019 R	2018 R
12.1 <i>Landfill Sites</i>		
Balance 1 July	12 207 164	11 210 331
Unwinding of discounted interest	604 816	996 833
Total provision 30 June	12 811 980	12 207 164
Less: Transfer of Current Portion to Current Provisions - Note 14	(10 975 263)	(10 380 218)
Balance 30 June	1 836 717	1 826 946

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

The rate for the levelling layers are based on import requirement from commercial sources.
CCL replaced by GCL due to lack of good quality clay from on-site or nearby sources.
The rate for the confining and topsoil layers are based on importing from on-site or nearby sources.

Rehabilitation cost for the Indwe landfill is calculated for this report, based on assumptions described. Further confirmation of site closure requirements is expected to be detailed by DEDEAT, but until such time the site has been evaluated with the assumption that it must still be rehabilitated.

Detail of cost estimates:	Dordrecht	Indwe	Lady Frere
Area (m ²)	10 267	1 005	5 596
Preliminary and general (Rand)	620 602	79 302	391 925
Site Clearance (Rand)	31 684	3 095	20 630
Storm Water Control Measure (Rand)	897 825	233 985	646 375
Capping (Rand)	2 200 637	218 766	1 685 063
Gas Management (Rand)	-	-	15 451
Leachate Management (Rand)	305 153	100 266	221 612
Fencing (Rand)	999 712	10 333	10 333
Other costs (Rand)	374 090	788 076	344 459
Contingencies (Rand)	505 591	64 575	319 138
Engineering (Rand)	417 113	53 274	263 290
Site Supervision (Rand)	257 386	285 045	246 895

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. The estimate cost and date of decommission of the sites are as follows:

Location	Estimated decommission date	2019	2018
		R	R
Lady Frere landfill site is located approximately 2.0km west off Indwe road R 394	30/06/2018	4 365 171	4 182 383
Dordrecht landfill site is located off R56 about 900m after the Dordrecht town to Queenstown Route	11/08/2018	6 610 092	6 167 655
Indwe landfill site is located east off R56 approximately 260m before the town of Indwe	31/12/2021	1 836 718	1 826 946
		12 811 980	12 207 164

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2015 R	2016 R
13. NON-CURRENT EMPLOYEE BENEFITS		
Provision for Post Retirement Health Care Benefits	7 705 943	7 021 332
Provision for Long Service Awards	2 551 638	1 970 992
Total Non-current Employee Benefits	10 257 581	8 992 324
<i><u>Post Retirement Health Care Benefits</u></i>		
Balance 1 July	7 077 422	6 468 462
Contribution for the year	651 419	836 646
Interest Cost	560 458	642 537
Expenditure for the year	(28 648)	(70 872)
Actuarial Loss/(Gain)	(853 763)	(801 551)
Total provision 30 June	7 736 886	7 077 422
<i>Less:</i> Transfer of Current Portion to Current Employee Benefits - Note 15	(30 943)	(56 080)
Balance 30 June	7 705 943	7 021 332
<i><u>Long Service Awards</u></i>		
Balance 1 July	2 335 585	1 846 855
Contribution for the year	500 956	434 527
Interest Cost	180 753	148 329
Expenditure for the year	(174 020)	(40 263)
Actuarial Loss/(Gain)	90 050	(44 053)
Total provision 30 June	2 933 326	2 335 636
<i>Less:</i> Transfer of Current Portion to Current Employee Benefits - Note 15	(381 687)	(364 603)
Balance 30 June	2 551 638	1 970 992
13.1 Provision for Post Retirement Health Care Benefits		
The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	99	92
In-service (employee) non-members	124	130
Continuation members (e.g. Retirees, widows, orphans)	1	2
Total Members	224	224
The liability in respect of past service has been estimated to be as follows:		
In-service members	5 612 019	3 743 586
In-service non-members	1 710 892	1 210 493
Continuation members	413 975	787 231
Total Liability	7 736 886	5 741 310
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
	2017 R	
In-service members	4 057 804	
In-service non-members	1 406 839	
Continuation members	1 003 819	
Total Liability	6 468 452	

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas,
Hosmed
LA Health
Samwumen
Key health

The Current-service Cost for the ensuing year is estimated to be R851 419, whereas the Interest Cost for the next year is estimated to be R690 456.

Key actuarial assumptions used	2019 %	2018 %
i) Rate of interest		
Discount rate	8,80%	9,79%
Health Care Cost Inflation Rate	7,52%	7,61%
Net Effective Discount Rate	2,12%	2,12%
The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".		
ii) Mortality rates		
The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.		
iii) Normal retirement age		
It has been assumed that in-service members will retire at age 60 for females and 65 for males, which then implicitly allows for expected rates of early and ill-health retirement.		
iv) Expected rate of salary increases		
2018/2019 - Average CPI (Feb 2017 – Jan 2018) + 1.5 percent		

The amounts recognised in the Statement of Financial Position are as follows:	2019 R	2018 R
Present value of fund obligations	7 736 886	7 077 422
Fair value of plan assets	-	-
Net liability/(asset)	7 736 886	7 077 422
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	7 077 422	6 468 462
Total expenses	1 513 227	1 410 511
Current service cost	851 419	838 848
Interest Cost	690 456	642 537
Benefits Paid	(26 648)	(70 872)
Actuarial (gains)/losses	(853 783)	(801 551)
Present value of fund obligation at the end of the year	7 736 886	7 077 422

Sensitivity Analysis on the Accrued Liability on 30 June 2019

	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Assumption			
Central Assumptions	7,923	0,414	7,737

The effect of movements in the assumptions are as follows:

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Assumption					
Health care inflation	1%	8,934	0,454	9,388	21,00%
Health care inflation	-1%	6,069	0,379	6,448	-17,00%
Discount rate	1%	6,106	0,380	6,486	-16,00%
Discount rate	-1%	8,907	0,454	9,361	21,00%
Post-retirement mortality	-1 year	7,541	0,429	7,971	3,00%
Average retirement age	-1 year	8,014	0,414	8,428	9,00%
Continuation of membership at retirement	-10%	5,469	0,414	5,883	-24,00%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2019

	Current Service Cost (R)	Interest Cost (R)	Total (R)
Assumption			
Central Assumptions	851 400	690 500	1 541 900

The effect of movements in the assumptions are as follows:

	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Assumption					
Health care inflation	1%	1 083 500	837 700	1 921 200	25,00%
Health care inflation	-1%	677 100	575 600	1 252 700	-19,00%
Discount rate	1%	687 600	637 700	1 325 500	-14,00%
Discount rate	-1%	1 070 500	750 500	1 821 000	16,00%
Post-retirement mortality	-1 year	877 200	712 100	1 589 300	3,00%
Average retirement age	-1 year	885 700	748 100	1 644 800	7,00%
Withdrawal Rate	-10%	623 400	538 100	1 159 500	-25,00%

2019 2018
Rm Rm

Expenence adjustments were calculated as follows:

Liabilities: (Gain) / loss	0,324	0,018
Assets: Gain / (loss)		

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

2017
Rm

Liabilities (Gain) / loss	6 468 482
Assets: Gain / (loss)	

13.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 223 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R592 984 whereas the Interest Cost for the next year is estimated to be R600 100.

Key actuarial assumptions used	2019 %	2018 %
i) Rate of interest		
Discount rate	8,07%	8,38%
General Salary Inflation (long-term)	5,52%	6,02%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2,42%	2,23%

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	2 933 326	2 335 596
Fair value of plan assets	-	-
Net Liability/(asset)	2 933 326	2 335 596
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	2 335 596	1 848 856
Total expenses	507 680	533 693
Current service cost	500 956	434 627
Interest Cost	180 753	148 329
Benefits Paid	(174 028)	(49 263)
Actuarial (gains)/losses	90 050	(44 953)
Present value of fund obligation at the end of the year	2 933 326	2 335 596

Sensitivity Analysis on the Accrued Liability on 30 June 2019

Assumption	Change	Liability (Rm)	% change
Central assumptions		2,933	
General salary inflation	1%	3,102	6,00%
General salary inflation	-1%	2,780	-5,00%
Discount rate	1%	2,774	-5,00%
Discount rate	-1%	3,111	6,00%
Average retirement age	-2 yrs	2,834	-3,00%
Average retirement age	2 yrs	3,054	4,00%
Withdrawal rates	-50%	3,373	15,00%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2019

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)
Central Assumptions	501 000	180 800	681 800

The effect of movements in the assumptions are as follows.

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
General earnings inflation rate	1%	535 100	191 300	726 400	7%
General earnings inflation rate	-1%	470 100	171 100	641 200	-8%
Discount rate	1%	473 200	191 100	664 300	-3%
Discount rate	-1%	532 000	169 000	701 000	3%
Average retirement age	-2 year	475 400	170 400	645 800	-5%
Average retirement age	-2 year	615 000	188 200	703 200	3%
Withdrawal Rate	-50%	655 400	220 700	876 100	28%

Expenditure adjustments were calculated as follows:

	2019 Rm	2018 Rm
Liabilities: (Gain) / loss	-98 000	67 097
Assets: Gain / (loss)		

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2017 Rm	2016 Rm	2015 Rm
Liabilities: (Gain) / loss	1 846 856	1 605 773	1 402 424
Assets: Gain / (loss)			

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
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13.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members (9,0%) and Council (18,0%). The last statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R21,350,000,000 (30 June 2016: R20,075,000,000), with funding levels of 127,3% and 100% (30 June 2016: 118,0% and 100%) for the Pensions Account and the Share Account respectively. The Preservation Pension Account showed a surplus of R0 and was 100% funded for both 2017 & 2016. The contribution rate paid by the members (7,50%/9%) and the municipalities (19,50%/18%) is sufficient to fund the benefits accruing from the hand in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

Contributions paid recognised in the Statement of Financial Performance	6 220 816	5 438 889
	2019 R	2018 R

DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

Sala Pension Fund	384 214	367 416
Municipal Councillors Pension Fund	1 668 224	1 601 897
SAMWU National Provident Fund	941 492	588 225
	2 971 930	2 857 538

The incorrect amount was disclosed in 2018 relating to contributions towards the Municipal Councillors Pension Fund. Above disclosure was therefore adjusted from R139 567 to R1 601 897

14. CURRENT PROVISIONS

Current Portion of Rehabilitation of Landfill Sites - Note 12	10 875 263	10 380 218
Total Provisions	10 875 263	10 380 218

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
16. CURRENT EMPLOYEE BENEFITS		
Provision for Performance Bonuses	89 111	1 186 689
Staff Bonuses accrued	1 762 210	1 716 689
Staff leave accrued	8 207 067	8 259 778
Compensation for Injuries On Duty	431 016	397 933
Current Portion of Non-Current Employee Benefits	412 630	420 693
Current Portion of Post Retirement Benefits - Note 13	30 943	56 690
Current Portion of Long-Service Provisions - Note 13	381 687	384 603
Total Current Employee Benefits	10 802 034	9 931 781
The movement in current provisions are reconciled as follows:		
16.1 Performance Bonuses		
Balance at beginning of year	1 186 689	1 076 608
Contribution to current portion	(1 007 578)	(1 076 608)
Expenditure incurred	-	-
Balance at end of year	89 112	1 186 689
Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.		
16.2 Staff Bonuses		
Balance at beginning of year	1 716 689	1 429 595
Contribution to current portion	3 445 802	3 374 914
Expenditure incurred	(3 399 880)	(3 067 821)
Balance at end of year	1 762 210	1 716 689
Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.		
16.3 Staff Leave		
Balance at beginning of year	8 259 778	5 974 778
Contribution to current portion	2 597 348	1 166 888
Expenditure incurred	(650 058)	(881 888)
Balance at end of year	8 207 067	8 259 778
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.		
16.4 Compensation for Injuries On Duty		
Balance at beginning of year	397 933	355 652
Contribution to current portion	402 192	434 835
Expenditure incurred	(369 108)	(392 554)
Balance at end of year	431 016	397 933
The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. There is no possibility of reimbursement.		

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
16. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	5 428 812	3 685 148
Third party payables (Payroll)	7 813	30 028
Pre- paid electricity paid in advance	188 710	183 716
Advance payments debtors-billing	420 850	505 108
Sundry Deposits	63 976	46 009
Sundry Creditors	78 352	65 526
Retentions and Guarantees	3 655 783	5 341 629
Total Trade Payables	14 844 236	9 260 161

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured

Sundry deposits include Hall, Builders and Housing Deposits

	2019 R	2018 R
17. UNSPENT TRANSFERS AND SUBSIDIES		
Unspent Transfers and Subsidies	1 533 060	-
Provincial Government	468 781	-
District Municipalities	1 066 300	-
Total Unspent Transfers and Subsidies	1 533 060	-

See appendix "D" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
18. PAYABLES FROM NON-EXCHANGE TRANSACTIONS		
Out of court settlement - Magwayi	10 567 503	-
Total Payables from Non-exchange Transactions	10 567 503	-
Disclosed as follows:		
Current liabilities	5 283 752	-
Non-current liabilities	5 283 751	-
Total	10 567 503	-

This court case has been settled on 28 June 2019 for an amount of R10 567 503.

The repayment terms are as follows:

Payment of the sum of R5 283 752 to be paid on or before 1 September 2019.
Payment of the sum of R5 283 752 on or before 1 September 2020, interest of this amount calculated at the legal rate

Due to the short term nature of the first payment, discounting is not deemed necessary as it is not material. The second payment accrues interest at the legal rate, and therefore discounting is also not deemed necessary in this regard.

A description of the matter is disclosed under note 49 - Contingent Liabilities.

All payables are unsecured.

	2019 R	2018 R
19. PROPERTY RATES		
Actual		
Rateable Land and Buildings		
Business and Commercial Property	4 527 291	5 211 974
Public Benefit Organisations	1 188 357	998 264
Residential Properties	834	-
Vacant Land	1 531 414	2 380 836
State-owned Properties	177 535	-
Agricultural Property	1 077 845	942 129
	551 506	692 645
Total Property Rates	4 527 291	5 211 974
Valuations - 1 July 2018		
Rateable Land and Buildings		
Business and Commercial Property	1 494 327 840	1 120 827 404
Municipal Properties	186 875 503	126 135 302
Residential Properties	34 083 400	14 821 700
State-owned Properties	389 670 236	301 403 201
Agricultural Property	189 087 000	119 209 300
Exempt properties	588 020 000	542 883 400
	28 431 701	18 194 501
Total Rateable Land and Buildings	1 494 327 840	1 120 827 404

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

EMALAHLENI MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
Basic Rate		
Residential	0,00680	0,00923
Undeveloped land/Vacant land	0,00680	0,00923
Business	0,01020	0,01385
Government	0,01020	0,01385
Agriculture/Farms	0,00170	0,00231
Public Service Infrastructure	-	-
Public Benefit Organisation	0,00170	0,00231

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential - The first R15 000 on the valuation is exempted.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

	2019 R	2018 R
20. GOVERNMENT GRANTS AND SUBSIDIES		
Government Grants and Subsidies - Operating	123 284 528	121 753 788
Equitable Share	115 774 000	115 892 000
Local Government Financial Management Grant	2 415 000	2 345 000
Municipal Infrastructure Grant	1 345 187	1 703 050
Libraries, Archives and Museums	900 000	900 000
Other grants	563 701	813 738
DEDEAT: Waste management grant	2 286 641	-
Government Grants and Subsidies - Capital	44 825 412	33 685 950
Municipal Infrastructure Grant	42 556 813	32 357 950
Expanded Public Works Programme Integrated Grant	2 022 000	1 308 000
DEDEAT: Waste management grant	246 599	-
Total Government Grants and Subsidies	168 109 940	155 419 738
Included in above are the following grants and subsidies received:		
<u>Unconditional</u>	115 774 000	115 892 000
Equitable Share	115 774 000	115 892 000
<u>Conditional</u>	52 335 940	39 427 738
Local Government Financial Management Grant	2 415 000	2 345 000
Expanded Public Works Programme Integrated Grant	2 022 000	1 308 000
Municipal Infrastructure Grant	43 902 000	34 061 000
Libraries, Archives and Museums	900 000	900 000
Other grants	563 701	813 738
DEDEAT: Waste management grant	2 533 240	
Total Government Grants and Subsidies	168 109 940	155 419 738

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2019 R	2018 R
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share	115 774 000	115 982 000
Finance and Administration	3 756 716	2 345 000
Community & Social Services	18 100 228	900 000
Public Safety	7 078 254	-
Planning & Development	1 635 233	800 500
Road Transport	19 232 271	35 382 296
Waste Management	2 533 240	-
Total Government Grants and Subsidies	<u>168 109 940</u>	<u>185 415 736</u>

Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the forthcoming 3 financial years.

20.1 Equitable Share

	2019 R	2018 R
Grants received		
Conditions met - Operating	115 774 000	115 982 000
Conditions still to be met	<u>(115 774 000)</u>	<u>(115 982 000)</u>
	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

20.2 Local Government Financial Management Grant (FMG)

	2019 R	2018 R
Grants received		
Conditions met - Operating	2 415 000	2 345 000
Conditions still to be met	<u>(2 415 000)</u>	<u>(2 345 000)</u>
	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

20.3 Municipal Infrastructure Grant (MIG)

	2019 R	2018 R
Grants received		
Conditions met - Operating	43 902 000	34 061 000
Conditions met - Capital	<u>(1 345 187)</u>	<u>(1 703 050)</u>
Conditions still to be met	<u>(42 556 813)</u>	<u>(32 357 950)</u>
	0	0

The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

20.4 DEDEAT: Waste management grant

	2019 R	2018 R
Grants received		
Conditions met - Operating	3 000 000	-
Conditions met - Capital	<u>(2 288 641)</u>	<u>-</u>
Conditions still to be met	<u>(246 599)</u>	<u>-</u>
	455 781	-

The DEDEAT Waste management grant was used for a waste management project that seeks to address these challenges within the Waste & Environment Sector and also address socio-economic dynamics of the Municipality.

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
20.6 Extended Public Works Program (EPWP)			
Grants received		2 022 000	1 308 000
Conditions met - Capital		(2 022 000)	(1 308 000)
Conditions still to be met		-	-
The grant is used for job creation projects in previous disadvantaged areas.			
20.6 Libraries, Archives and Museums			
Grants received		900 000	900 000
Conditions met - Operating		(800 000)	(800 000)
Conditions still to be met		-	-
The grant is used to transform urban and rural community library infrastructure, facilities and services.			
20.7 Other grants			
Opening balance		-	(891 366)
Grants received		1 630 000	1 705 102
Conditions met - Operating		(583 701)	(813 736)
Conditions still to be met		1 066 300	0
<i>Included within other grants are the Chris Hani District Municipality Paving and beautification grant, Ward based plans grant, Dryland cropping programme grant, Alien plant project grant and Construction of feedlot grant.</i>			
20.8 Total Grants			
Opening balance		-	(891 366)
Grants received		189 643 000	158 311 102
Conditions met - Operating		(123 284 628)	(121 753 786)
Conditions met - Capital		(44 825 412)	(33 685 950)
Conditions still to be met/(Grant expenditure to be recovered)		1 533 060	0
Disclosed as follows:			
Unspent Transfers and Subsidies		1 533 060	-
Total		1 533 060	-
		2019 R	2018 R
21. LICENCES AND PERMITS			
Trading		9 181	10 881
Road and Transport		1 735 605	1 629 258
Total Licences and Permits		1 744 786	1 640 120

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
22. SERVICE CHARGES		
Electricity	16 796 828	9 539 828
Service Charges	17 110 193	10 104 313
Less: Revenue Forgone	(1 921 367)	(644 384)
Waste Management	8 132 693	3 483 131
Service Charges	10 520 378	5 508 022
Less: Revenue Forgone	(2 387 765)	(2 024 892)
Total Service Charges	23 929 420	13 023 060
Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebates or remission		
23. SALES OF GOODS AND RENDERING OF SERVICES		
Building Plan Approval	180 233	77 487
Camping Fees	4 887	-
Cemetery and Burial	34 778	34 984
Clearance Certificates	68 223	16 243
Grazing Fees	5 957	-
Valuation Services	-	524
Total Sales of Goods and Rendering of Services	304 058	129 239
24. RENTAL FROM FIXED ASSETS		
Investment Property	655 477	738 071
Property, Plant and Equipment	238 166	78 999
Total Rental from Fixed Assets	893 643	813 070
25. INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank Accounts	52 347	21 073
Financial assets	618 013	1 161 547
Total Interest Earned - External Investments	870 360	1 182 620
26. INTEREST EARNED - RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Waste Management	2 811 278	2 982 044
Electricity	668 623	200 845
Housing	263 852	196 005
Service charges	1 406	-
Total Interest Earned - Outstanding Exchange Receivables	3 743 460	3 369 794
27. INTEREST EARNED - RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Property Rates	1 540 965	1 494 171
Total Interest Earned - Outstanding Non-Exchange Receivables	1 540 965	1 494 171

EMALAHLEN MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
28. OPERATIONAL REVENUE		
Agricultural Activities	3 510	-
Fruitless and wasteful expenditure recovered	-	1 282
Insurance Refund	1 872 115	523 944
Merchandising, Jobbing and Contracts	444 735	55 138
Transaction Handling Fees	78 793	-
Total Operational Revenue	2 399 183	580 342
	2019 R	2018 R
29. EMPLOYEE RELATED COST		
Basic Salaries and Wages	57 498 088	52 654 221
Acting and Post Related Allowances	1 092 443	219 579
Pension and UIF Contributions	5 591 906	7 303 889
Medical Aid Contributions	3 295 175	2 295 363
Overtime	1 385 720	908 238
Bonuses	4 295 213	4 561 604
Motor Vehicle Allowance	4 408 686	3 218 837
Cellular and Telephone	673 767	338 741
Housing Allowances	942 964	161 797
Other benefits and allowances	22 448	464 497
Payments in lieu of leave	650 059	1 166 898
Post-retirement Benefit Obligations	1 352 375	633 797
Medical - Note 13.1	651 419	633 797
Current Service Cost	651 419	633 797
Long Service Awards - Note 13.2	500 956	-
Total Employee Related Costs	81 209 853	73 985 440
	81 209 853	73 985 440
KEY MANAGEMENT PERSONNEL		
Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
<i>Remuneration of the Municipal Manager (MM Dr VS Vatafa)</i>		
Annual Remuneration	1 152 342	1 771 561
Leave encashment	194 875	-
Telephone, assistance and other allowances	25 555	34 848
Contributions to UIF, SDL, Bargaining council	12 887	1 785
Performance Bonus	-	225 471
Total	1 386 638	2 033 665
<i>Dr Vatafa performed the duties of Municipal manager until February 2019.</i>		
<i>Remuneration of the Acting Municipal Manager (N Mntuydwa)</i>		
Annual Remuneration	974 823	-
Acting Allowance	194 593	-
Telephone, assistance and other allowances	21 974	-
Contributions to UIF, SDL, Bargaining council	10 580	-
Total	1 201 950	-
<i>Mr Mntuydwa acted as Municipal manager from October 2018 until 22 May 2019. Above remuneration relates to his services rendered during this period.</i>		

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
Remuneration of the Acting Municipal Manager (G De Jager)		
Annual Remuneration	127 194	-
Acting Allowance	27 202	-
Telephone, assistance and other allowances	2 747	-
Contributions to UIF, SDL, Bargaining council	1 412	-
Total	158 556	-
<i>Mr De Jager acted as Municipal manager from 23 May for 30 June 2019. Above remuneration relates to his services rendered during this period.</i>		
Remuneration of the Manager Corporate Services (Manager Corporate Services - P Sohe)		
Annual Remuneration	192 040	1 329 305
Leave encashment	-	254 306
Telephone, assistance and other allowances	5 493	29 964
Contributions to UIF, SDL, Bargaining council	1 828	1 785
Performance Bonus	-	169 184
Total	198 381	1 784 844
<i>Ms Sohe's services ended in the month of August 2018.</i>		
Remuneration of the Chief Financial Officer (GP de Jager)		
Annual Remuneration	1 399 139	1 387 576
Leave encashment	-	26 641
Telephone, assistance and other allowances	30 214	29 964
Contributions to UIF, SDL, Bargaining council	12 538	1 785
Performance Bonus	-	176 801
Total	1 441 891	1 622 566
<i>Mr De Jager performed the duties of Chief Financial Officer from June 2018 until May 2019. Above remuneration relates to his services rendered during this period.</i>		
Remuneration of the Chief Financial Officer (A Zindu)		
Annual Remuneration	51 900	-
Acting allowance	31 448	-
Telephone, assistance and other allowances	23 202	-
Contributions to UIF, SDL, Bargaining council	1 069	-
Total	107 619	-
<i>Mr Zindu acted as Chief Financial Officer for June 2019. Above remuneration relates to his services rendered during this period.</i>		
Remuneration of the Manager Corporate Services (Acting Manager Corporate Services - M Swayena)		
Annual Remuneration	493 744	-
Telephone, assistance and other allowances	225 600	-
Acting allowance	249 157	-
Contributions to UIF, SDL, Bargaining council	9 991	-
Long service award	11 600	-
Annual Bonus	40 335	-
Total	1 038 427	-
<i>Mrs Swayena acted as Manager Corporate services from August 2018 until June 2019</i>		

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
Remuneration of the Manager PEDA Services (N Mnbydwa)		
Annual Remuneration	487 412	1 329 305
Telephone, assistance and other allowances	10 987	28 064
Leave encashment	-	102 864
Contributions to UIF, SDL, Bargaining council	4 307	1 785
Performance Bonus	-	169 184
Total	502 706	1 632 902
<i>Mr Mnbydwa performed the duties of Manager, PEDA Services from July 2018 until September 2018. Thereafter he acted as municipal manager until May 2019 and resumed his duties as Manager, PEDA Services for the month of June 2019. Above remuneration relates to the services he performed as Manager, PEDA services.</i>		
Remuneration of the Director Infrastructure and Human Settlements (D Njilo)		
Annual Remuneration	1 146 617	1 329 305
Telephone, assistance and other allowances	348 579	28 064
Contributions to UIF, SDL, Bargaining council	13 778	1 785
Performance Bonus	-	169 184
Total	1 508 973	1 630 236
Remuneration of the Director Community Services (N Nyazi)		
Annual Remuneration	1 462 235	1 329 305
Telephone, assistance and other allowances	32 060	37 129
Leave encashment	-	25 666
Contributions to UIF, SDL, Bargaining council	14 072	1 785
Performance Bonus	-	169 184
Acting allowance	-	22 113
Total	1 509 268	1 686 182

EMALANGE MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
28. REMUNERATION OF COUNCILLORS		
Mayor - N Nyikoswa	851 412	826 713
Mayor - NF Koni	218 037	-
Speaker - Kafolo DS	703 000	677 531
Executive Committee Member - Lefi N	881 813	637 736
Executive Committee - Ciria S Lintini (full time execo)	881 813	637 736
Executive Committee - T Kulache (Nyambo) (full time execo)	881 813	637 736
Executive Committee - Umbe M (full time execo)	881 813	637 736
Other Councillors - Mapela L (Sec 79 chair person)	378 871	384 042
Ordinary Councillor - Zikulu NM [Part-time Councillor]	302 752	282 677
Ordinary Councillor - Bobolyana CH [Part-time Councillor]	302 752	282 677
Ordinary Councillor - Koni NF [Part-time Councillor]	-	219 509
Ordinary Councillor - Nkala TM [Part-time Councillor]	302 752	282 677
Ordinary Councillor - Mjoco K [Part-time Councillor]	302 750	282 677
Ordinary Councillor - Kraze NH [Part-time Councillor]	302 752	282 677
Ordinary Councillor - Goring PF [Part-time Councillor]	302 752	282 677
Ordinary Councillor - Shabisa TD [Part-time Councillor]	302 752	282 677
Ordinary Councillor - Zama SE [Part-time Councillor]	302 752	282 677
Ordinary Councillor - Faleya LA [Part-time Councillor]	302 752	282 677
Ordinary Councillor - Bongo S [Part-time Councillor]	302 752	282 677
Ordinary Councillor - Feni RZ [Part-time Councillor]	302 752	282 677
Ordinary Councillor - Mosheza ZG [Part-time Councillor]	302 752	282 677
Ordinary Councillor - Mondile TF [Part-time Councillor]	302 752	282 677
Ordinary Councillor - Matola ZD [Part-time Councillor]	302 752	282 677
Ordinary Councillor - Omonyi MS [Part-time Councillor]	302 752	282 677
Ordinary Councillor - Motakosi N [Part-time Councillor]	302 752	282 677
Ordinary Councillor - Nhewu TJ [Part-time Councillor]	302 752	282 677
Ordinary Councillor - Mthobedi FM [Part-time Councillor]	302 752	282 677
Ordinary Councillor - Tyoko NM [Part-time Councillor]	302 752	282 677
Ordinary Councillor - Kesse N [Part-time Councillor]	302 752	282 677
Ordinary Councillor - Oyipe MP [Part-time exec member]	387 139	348 302
Ordinary Councillor - Paul LN [Part-time Councillor]	302 752	282 677
Ordinary Councillor - Nyedu XH [Part-time Councillor]	302 752	282 677
Ordinary Councillor - Ngomo N [Part-time Councillor]	302 752	282 677
Ordinary Councillor - James N [Part-time Councillor]	252 369	-
Executive Committee - N Myobito (Part time exec member)	387 139	373 818
Other Councillors - B Tshai (Part time - Sec 79 chair person)	378 871	384 042
Total Councillors' Remuneration	13 802 783	12 486 471

Remuneration paid to Councillors can be summarised as follow:

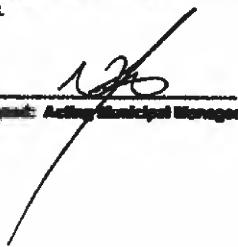
	Salary	Travel Allowance	Other Allowances	Total
Mayor	737 413	-	132 036	869 449
Speaker	585 000	-	137 901	703 000
Executive Committee Members	2 040 121	78 000	527 331	2 644 452
Councillors	8 168 603	361 500	2 255 580	8 785 683
Total Councillors' Remuneration	9 696 435	448 500	3 662 848	13 802 784

In-kind Benefits:

The Mayor, Speaker, and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

Certification by the Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution read with the Remuneration of Public Officer Bureaux Act and the Minister of Provincial and Local Government's determination in accordance with the Act.



Signed: Acting Municipal Manager

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
31. CONTRACTED SERVICES		
Outsourced Services		
Accounting and Auditing	5 588 025	4 829 551
Burial Services	9 000	63 350
Medical Services (Medical Health Services & Support)	66 506	154 181
Refuse Removal	494 784	-
Security Services	4 250 680	3 912 295
Transport Services	778 066	948 143
Valuer	32 283	787 326
Consultants and Professional Services		
Audit Committee	329 924	381 741
Business and Financial Management	1 643 133	4 816 257
Legal Advice and Litigation	2 949 468	840 429
Research and Advisory	487 826	-
Town Planner	-	287 192
Contractors		
Catering Services	407 853	1 720 945
Employee Wellness	17 939	358 698
Event Promoters	44 600	77 940
Maintenance of Buildings and Facilities	1 583 508	235 831
Maintenance of Equipment	359 181	20 940
Maintenance of Unspecified Assets	1 342 646	1 578 894
Plants, Flowers and Other Decorations	43 373	-
Stage and Sound Crew	71 454	191 210
Traffic and Street Lights	-	12 075
Total Contracted Services	20 510 326	21 032 977
	2019 R	2018 R
32. DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	24 185 970	22 005 006
Intangible Assets	54 930	54 926
Investment Property carried at cost	2 400	2 400
Total Depreciation and Amortisation	24 223 300	22 162 331
	2019 R	2018 R
33. FINANCE COSTS		
Finance leases	88 202	49 780
Non-current Provisions	804 816	996 833
Non-current Employee Benefits	871 209	790 866
Payables	11 548	1 002
Overdraft Facilities	114	-
Total Finance Costs	1 685 848	1 838 481

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
34. BULK PURCHASES		
Electricity	9 624 972	13 258 682
Total Bulk Purchases	9 624 972	13 258 682
	2019 R	2018 R
35. INVENTORY CONSUMED		
Consumables	411 120	1 115 648
Materials and Supplies	1 685 410	1 647 309
Total Inventory consumed	2 096 530	2 762 957
	2019 R	2018 R
36. TRANSFERS AND SUBSIDIES		
Capital	-	66 680
Monetary Allocations	-	66 680
Private Enterprises	-	66 680
Operational	10 945 603	1 661 101
Monetary Allocations	10 945 603	1 661 101
Households	311 245	995 888
Settlement of court case	10 547 503	-
Non-profit Institutions	66 855	665 233
Total Transfers and Subsidies	10 945 603	1 727 781

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
37. OPERATIONAL COSTS		
Advertising, Publicity and Marketing	609 384	672 929
Assets less than the Capitalisation Threshold	-	5 380
Bank Charges, Facility and Card Fees	236 768	188 081
Bargaining Council	721 030	604 260
Bursaries (Employees)	-	329 252
Commission	321 945	224 136
Courier and Delivery Services	-	1 323
Communication	2 054 451	1 333 044
Deeds	8 957	98 748
Entertainment	62 685	48 679
External Audit Fees	5 182 182	3 618 146
External Computer Service	1 330 020	1 264 144
Hire Charges	728 432	50 956
Indigent Relief	1 700 215	1 583 535
Insurance Underwriting	2 326 841	2 010 533
Licences	337 740	340 542
Office Decorations	-	28 500
Printing, Publications and Books	1 211 587	564 318
Professional Bodies, Membership and Subscription	88 670	62 588
Registration Fees	941 203	745 017
Remuneration to Ward Committees	3 033 035	2 045 793
Seating Allowance for Traditional Leaders	234 000	237 000
Signage	-	91 831
Skills Development Fund Levy	593 832	544 807
Storage of Assets and Goods	33 941	-
Travel Agency and Visa's	-	235 105
Travel and Subsistence	4 020 678	5 797 820
Uniform and Protective Clothing	137 056	923 867
Wet Fuel	1 382 788	1 593 768
Workmen's Compensation Fund	402 192	434 835
Total Operational Costs	27 679 523	26 965 767
	2019 R	2018 R
38. REVERSAL OF IMPAIRMENT LOSS/(IMPAIRMENT LOSS) ON RECEIVABLES		
Receivables from Exchange Transactions - Note 6	(2 250 422)	(322 451)
Receivables from Non-exchange Revenue - Note 7	(8 284 227)	(3 186 073)
Taxes - Note 9	-	(3 627 384)
Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables	(10 534 649)	(7 135 908)

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
39. RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS AS A RESULT OF THE IMPLEMENTATION OF mSCOA		
The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality implemented mSCOA during the 2019 financial year end and has realigned items in the financial statements with the item segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. The reclassification of 2018 audited amounts can be summarised as follows:		
	Balance previously reported	Adjustments
	Restated Balance	
Statement of Financial Performance		
Revenue from Non-exchange Transactions		
Taxation Revenue	5 211 974	-
Property Rates	5 211 974	-
Transfer Revenue		
Government Grants and Subsidies - Operating	121 753 786	+
Government Grants and Subsidies - Capital	33 665 950	+
Other Revenue		
Actuarial Gains	609 206	237 206
Fines, Penalties and Forfeits	9 131	47 002
Interest Earned - Non-exchange Transactions	-	1 494 171
Revenue from Exchange Transactions		
Service Charges	13 598 504	(573 443)
Sales of Goods and Rendering of Services	-	129 239
Rental of Facilities and Equipment	813 070	(813 070)
Rental from Fixed Assets	-	813 070
Interest Earned - external investments	1 162 620	-
Interest Earned - Exchange Transactions	-	3 359 794
Interest Earned - outstanding receivables	4 853 965	(4 853 965)
Licences and Permits	1 837 834	2 286
Agency Services	74 505	-
Gains on Sale of Fixed Assets	33 412	(33 412)
Operational Revenue	-	580 342
Other Income	829 609	(829 609)
Expenditure		
Employee related costs	(74 155 289)	(544 920)
Remuneration of Councillors	(12 488 471)	-
Bad debts written-off	(5 280 044)	-
Debt Impairment	(7 792 665)	7 792 665
Contracted Services	(6 500 662)	(14 532 314)
Depreciation and Amortisation	(22 152 333)	-
Finance Costs	(1 713 472)	(125 009)
Bulk Purchases	(12 931 660)	(327 222)
Inventory Consumed	-	(2 762 857)
Operating Leases	-	(322 305)
Transfers and Subsidies	-	(1 727 781)
Other Operating Grant Expenditure	(4 301 475)	4 301 475
General Expenses	(43 448 754)	43 448 754
Operational Costs	-	(28 065 767)
Operating Surplus/(Deficit) for the Year	(6 451 959)	8 694 120
Reversal of Impairment Loss/(Impairment Loss) on Receivables	-	(7 135 908)
Gains/(Loss) on Sale of Fixed Assets	-	(753 529)
Net Surplus/(Deficit) for the year	(6 451 959)	804 654
	(6 451 959)	(6 647 275)

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2018
R

39.01	Fines, Penalties and Forfeits	
	Balance previously reported	9 131
	Transferred from Other income	47 002
	Restated balance 30/06/2018	<u><u>56 133</u></u>
39.02	Interest Earned - Non-exchange Transactions	
	Balance previously reported	1 494 171
	Transferred from Interest Earned - outstanding receivables	
	Restated balance 30/06/2018	<u><u>1 494 171</u></u>
39.03	Service Charges	
	Balance previously reported	13 596 504
	Transferred from Other Income	70 940
	Transferred from Other Operating Grant Expenditure	(644 384)
	Restated balance 30/06/2018	<u><u>13 023 060</u></u>
	Previously reported	
	Electricity	10 113 373
	Service Charges	10 113 373
	Less: Revenue Forgone	
	Waste Management	3 483 131
	Service Charges	5 508 022
	Less: Revenue Forgone	(2 024 892)
	Total Service Charges	<u><u>13 596 504</u></u>
	Now reported	
	Electricity	9 639 929
	Service Charges	10 164 313
	Less: Revenue Forgone	(644 384)
	Waste Management	3 483 131
	Service Charges	5 508 022
	Less: Revenue Forgone	(2 024 892)
	Total Service Charges	<u><u>13 023 060</u></u>
39.04	Sales of Goods and Rendering of Services	
	Balance previously reported	
	Transferred from Other income	129 239
	Restated balance 30/06/2018	<u><u>129 239</u></u>
39.05	Rental of Facilities and Equipment	
	Balance previously reported	813 070
	Transferred to Rental from Fixed Assets	
	Restated balance 30/06/2018	<u><u>813 070</u></u>

EMALAHLEMU MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2018 R
39.06	Rental from Fixed Assets	
	Balance previously reported	
	Transferred from Rental of Facilities and Equipment	813 070
	Restated balance 30/06/2018	<u>813 070</u>
39.07	Interest Earned - Exchange Transactions	
	Balance previously reported	
	Transferred from Interest Earned - outstanding receivables	3 359 794
	Restated balance 30/06/2018	<u>3 359 794</u>
39.08	Interest Earned - outstanding receivables	
	Balance previously reported	
	Transferred to Interest Earned - Exchange Transactions	4 853 965
	Transferred to Interest Earned - Non-exchange Transactions	(3 359 794)
	Restated balance 30/06/2018	<u>(1 494 171)</u>
39.09	Licences and Permits	
	Balance previously reported	
	Transferred from Other income	1 637 634
	Restated balance 30/06/2018	<u>2 286</u>
		<u>1 640 120</u>
39.10	Gains on Sale of Fixed Assets	
	Balance previously reported	
	Transfer to Gain/(Loss) on Sale of Fixed Assets	33 412
	Restated balance 30/06/2018	<u>(33 412)</u>
		<u>-</u>
39.11	Operational Revenue	
	Balance previously reported	
	Transferred from Other income	560 342
	Restated balance 30/06/2018	<u>560 342</u>
39.12	Other Income	
	Balance previously reported	
	Transferred to Fines, Penalties and Forfeits	829 609
	Transferred to Licences and permits	(47 002)
	Transferred to Operational revenue	(2 286)
	Transferred to Sales of Goods and Rendering of Services	(500 342)
	Transferred to Service Charges	(129 239)
	Restated balance 30/06/2018	<u>(70 940)</u>
		<u>(0)</u>
39.13	Employee related costs	
	Balance previously reported	
	Transferred from General expenses	(74 155 268)
	Transferred from Other Operating Grant Expenditure	(936 917)
	Transferred to Operational costs	(382 395)
	Correction of error - Refer to note 41	979 442
	Restated balance 30/06/2018	<u>(205 049)</u>
		<u>(74 700 209)</u>
39.14	Debt Impairment	
	Balance previously reported	(7 792 685)
	Reversal of Impairment Loss/(Impairment Loss) on Receivables	7 135 807
	Restated balance 30/06/2018	<u>(656 759)</u>

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2018 R
39.15 Contracted Services	
Balance previously reported	(8 600 662)
Transferred from General expenses	(13 401 180)
Transferred from Other Operating Grant Expenditure	(1 370 610)
Correction of error - Refer to note 41	239 685
Restated balance 30/06/2018	<u><u>(21 032 977)</u></u>
39.16 Finance Costs	
Balance previously reported	(1 713 472)
Transferred from General expenses	(1 002)
Correction of error - Refer to note 41	(124 007)
Restated balance 30/06/2018	<u><u>(1 838 481)</u></u>
39.17 Bulk Purchases	
Balance previously reported	(12 931 680)
Transferred from General expenses	(327 222)
Restated balance 30/06/2018	<u><u>(13 258 882)</u></u>
39.18 Inventory Consumed	
Balance previously reported	(2 762 957)
Transferred from General expenses	(2 762 957)
Restated balance 30/06/2018	<u><u>(2 762 957)</u></u>
39.19 Operating Leases	
Balance previously reported	(322 305)
Transferred from General expenses	(322 305)
Restated balance 30/06/2018	<u><u>(322 305)</u></u>
39.20 Transfers and Subsidies	
Balance previously reported	(1 727 781)
Transferred from General expenses	(1 727 781)
Restated balance 30/06/2018	<u><u>(1 727 781)</u></u>
39.21 Other Operating Grant Expenditure	
Balance previously reported	(4 301 475)
Transferred to Contracted services	1 370 610
Transferred to Employee related costs	382 395
Transferred to Service Charges	844 384
Transferred to Operational costs	1 903 887
Restated balance 30/06/2018	<u><u>0</u></u>
39.22 General Expenses	
Balance previously reported	(43 448 751)
Transferred to Bulk purchases	327 222
Transferred to Contracted services	13 401 180
Transferred to Employee related costs	936 917
Transferred to Gains/(Loss) on Sale of Fixed Assets	768 941
Transferred to Finance costs	1 002
Transferred to Inventory Consumed	2 762 957
Transferred to Operating leases	322 305
Transferred to Operational Costs	23 182 436
Transferred to Transfers and Subsidies	1 727 781
Restated balance 30/06/2018	<u><u>1</u></u>

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2018
R

39.23 Operational Costs

Balance previously reported	
Transferred from Employee related costs	(979 442)
Transferred from General expenses	(23 182 438)
Transferred from Other operating grant expenditure	(1 903 887)
Restated balance 30/06/2018	<u><u>(26 065 767)</u></u>

39.24 Reversal of Impairment Loss/(Impairment Loss) on Receivables

Balance previously reported	
Transferred from Debt impairment	(7 135 907)
Restated balance 30/06/2018	<u><u>(7 135 907)</u></u>

39.25 Gains/(Loss) on Sale of Fixed Assets

Balance previously reported	
Transferred from General expenses	(786 941)
Transferred from Gains on Sale of Fixed Assets	33 412
Restated balance 30/06/2018	<u><u>(753 528)</u></u>

2018
R

40. CORRECTION OF ERROR IN TERMS OF GRAP 3

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:

40.1 Property, Plant and Equipment

Balance previously reported	426 588 811	412 033 834
Correction of Work in progress incorrectly recognised as expenditure	239 866	-
Restated Balance	<u><u>426 828 677</u></u>	<u><u>412 033 834</u></u>

Construction work on the Indwe Feedlot was incorrectly recorded under Contracted services (General expenses before implementation of MSCOA) during the 2017/18 financial year. This error was identified during 2018/19 and retrospectively adjusted by allocating the expenditure to Property, plant and equipment.

40.2 Contracted services

Balance previously reported	(21 032 977)	(6 282 007)
Correction of Work in progress incorrectly recognised as expenditure	239 866	-
Restated Balance	<u><u>(20 793 281)</u></u>	<u><u>(6 282 007)</u></u>

Construction work on the Indwe Feedlot was incorrectly recorded under Contracted services (General expenses before implementation of MSCOA) during the 2017/18 financial year. This error was identified during 2018/19 and retrospectively adjusted by allocating the expenditure to Property, plant and equipment.

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2018 R	2017 R
40.3 Non-current Employee Benefits		
Balance previously reported	(6 741 310)	(5 224 110)
Correction to incorrect policy used by actuaries for valuation	(1 336 112)	(1 244 352)
Restated Balance	(7 077 422)	(6 468 462)
<i>At the last actuarial valuation, it was understood that the post-employment medical aid subsidy rate in respect of all eligible individuals was 60%. It was established at this valuation that the rate is 70% in respect of all individuals. Consequently the opening balance of Post Retirement Health Care Benefits was restated.</i>		
40.4 Accumulated Surplus/(Deficit) - 1 July 2017		
Balance previously reported	408 406 314	414 858 273
Correction to Non-current Employee Benefits - Note 40.3	(1 244 352)	(1 244 352)
Correction to Employee related cost - Note 40.5	(205 049)	-
Correction to Contracted services - Note 40.1 and 40.2	239 686	-
Correction to Finance costs - Note 40.6	(124 007)	-
Correction to Actuarial gain - Note 40.7	237 296	-
Correction to Debt impairment - Note 40.8	656 759	-
Total	407 966 647	413 613 922
40.5 Employee related cost		
Balance previously reported	(74 155 289)	(66 175 192)
Correction to Non-current Employee Benefits - Note 40.3	(205 049)	-
Total	(74 360 338)	(66 175 192)
<i>At the last actuarial valuation, it was understood that the post-employment medical aid subsidy rate in respect of all eligible individuals was 60%. It was established at this valuation that the rate is 70% in respect of all individuals. The R205 049 represents the increase in current service cost for the 2018 financial year</i>		
40.6 Finance costs		
Balance previously reported	(1 713 472)	(1 383 144)
Correction to Non-current Employee Benefits - Note 40.3	(124 007)	-
Total	(1 637 479)	(1 383 144)
<i>At the last actuarial valuation, it was understood that the post-employment medical aid subsidy rate in respect of all eligible individuals was 60%. It was established at this valuation that the rate is 70% in respect of all individuals. The R124 007 represents the increase in finance costs for the year</i>		
40.7 Actuarial gain		
Balance previously reported	609 208	1 278 648
Correction to Non-current Employee Benefits - Note 40.3	237 296	-
Total	846 604	1 278 648
<i>At the last actuarial valuation, it was understood that the post-employment medical aid subsidy rate in respect of all eligible individuals was 60%. It was established at this valuation that the rate is 70% in respect of all individuals. The R237 296 represents the increase in actuarial gains for the year</i>		

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
40.8 Reversal of impairment loss / (impairment loss) on receivables		
REVERSAL OF IMPAIRMENT LOSS/(IMPAIRMENT LOSS) ON RECEIVABLES		
Balance previously reported	(7 702 667)	(2 327 348)
Correction to Taxes - Note 40.9	656 759	-
Total	(7 135 908)	(2 327 348)

During 2018 an allowance for impairment was recognised relating to old VAT balances older than 5 years. This allowance incorrectly included an amount of R656 759 relating to input VAT on retentions receivable. The error was discovered during 2019 and corrected by decreasing the impairment expense and increasing VAT receivable for 2019.

	2018 R	2017 R
40.9 Reversal of impairment loss / (impairment loss) on receivables		
REVERSAL OF IMPAIRMENT LOSS/(IMPAIRMENT LOSS) ON RECEIVABLES		
Balance previously reported	2 020 892	9 680 050
Correction to Impairment - Note 40.9	656 759	-
Total	2 677 451	9 680 050

During 2018 an allowance for impairment was recognised relating to old VAT balances older than 5 years. This allowance incorrectly included an amount of R656 759 relating to input VAT on retentions receivable. The error was discovered during 2019 and corrected by decreasing the impairment expense and increasing VAT receivable for 2019.

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
41. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	(3 524 131)	(5 647 276)
<u>Adjustments for:</u>		
Depreciation and Amortisation	24 223 300	22 152 333
Loss/(Gain) on Sale of Fixed Assets	621 245	(33 412)
Assets written off	9 549 698	788 941
Contributed PPE	(535 113)	-
Contribution to provisions – Non-Current Provisions	804 816	896 833
Movement in employee benefits	2 185 510	1 819 053
Debt Impairment	10 534 649	7 135 908
Bad Debts written off	1 509 338	5 260 944
Operating lease income accrued	17 511	10 030
Operating Surplus/(Deficit) before changes in working capital	45 088 822	32 482 254
Changes in working capital	(2 511 157)	(2 755 627)
Increase/(Decrease) in Trade and Other Payables	4 837 877	(10 180 635)
Increase/(Decrease) in Payables from Non-exchange transactions	40 567 503	7 659 358
Increase/(Decrease) in Taxes	(1 605 905)	(800 500)
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	1 533 060	1 691 866
Increase/(Decrease) in Unpaid Conditional Government Grants and Receipts	-	(1 125 617)
(Increase)/Decrease in Receivables from exchange and non-exchange transactions	(17 843 693)	
Cash generated/(absorbed) by operations	42 575 684	20 728 626
	2018 R	2018 R
42. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 10	4 144 940	5 886 415
<u>Less:</u>		
Unspent Transfers and Subsidies - Note 17	(1 533 060)	-
Resources available for working capital requirements	2 611 880	6 886 415
Allocated to:		
Employee Benefits Reserve	(10 902 034)	(9 981 781)
Non-Current Provisions Reserve	(12 611 980)	(12 207 164)
Resources available for working capital requirements	(21 102 134)	(16 322 630)
Long-term Liabilities - Note 11	779 237	1 147 889
Used to finance property, plant and equipment - at cost	(779 237)	(1 147 889)
Cash set aside for the repayment of long-term liabilities	-	-
Cash Invested for repayment of long-term liabilities	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
43. BUDGET INFORMATION		
43.1 Explanation of variances between approved and final budget amounts		
The reasons for the variances between the approved and final budgets are mainly due to movements, and the negative effect of the abnormal high electricity and solid waste tariff increases on consumer debtors, the decrease in the capital expenditure, and the reprioritising of capital projects, with the corresponding changes to funding sources.		
Explanation of variances greater than 5%: Final Budget and Actual Amounts		
43.2 Statement of Financial Position		
43.2.1 Current Assets		
Cash		
<i>Balance Sheet budgeting was done incorrectly on the system. Amounts as contained in the original budget were incorrect due to incorrect use of signs on the system.</i>		
Cell Investment Deposits		
<i>Balance Sheet budgeting was done incorrectly on the system. In the original budget the investment deposits were all captured under Cash and not split between the 2 categories.</i>		
Consumer Debtors		
<i>Balance Sheet budgeting was done incorrectly on the system. The original budget did not factor in the provision for bad debts and showed the gross amount.</i>		
Other Debtors		
<i>Balance Sheet budgeting was done incorrectly on the system. The original budget did not factor in the provision for bad debts and showed the gross amount.</i>		
43.2.2 Non-Current Assets		
Investment Property		
<i>The amount budgeted only related to movements and did not take the opening balance into consideration as the Asset module was on active on the mSCOA system.</i>		
Property, Plant and Equipment		
<i>The amount budgeted only related to movements and did not take the opening balance into consideration as the Asset module was on active on the mSCOA system.</i>		
Intangible Assets		
<i>The amount budgeted only related to movements and did not take the opening balance into consideration as the Asset module was on active on the mSCOA system.</i>		
Heritage Assets		
<i>The amount budgeted only related to movements and did not take the opening balance into consideration as the Asset module was on active on the mSCOA system.</i>		

EMALAHLEMI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

43.2.3 Current Liabilities

Trade and Other Payables

Balance Sheet budgeting was done incorrectly on the system. The actual amount was lower due to more suppliers submitting their invoices on time prior to year-end.

Payables from Non-exchange Transactions

Balance Sheet budgeting was done incorrectly on the system. Line item not provided for.

Provisions

Balance Sheet budgeting was done incorrectly on the system. Line item not provided for.

Current Employee Benefits

Balance Sheet budgeting was done incorrectly on the system. Line item not provided for.

Unspent Transfers and Subsidies

Balance Sheet budgeting was done incorrectly on the system. Line item not provided for.

Current Portion of Long-term Borrowings

Balance Sheet budgeting was done incorrectly on the system. Line item not provided for.

43.2.4 Non-Current Liabilities

Borrowing

This was a result under budgeting for the line item.

Payables from Non-exchange Transactions

Balance Sheet budgeting was done incorrectly on the system. Line item not provided for

Provisions

Balance Sheet budgeting was done incorrectly on the system. Line item not provided for.

Non-current Employee Benefits

Balance Sheet budgeting was done incorrectly on the system. Line item not provided for.

43.2.5 Net Assets

Accumulated Surplus/(Deficit)

Refer to reasons for variances under Statement of Financial Performance.

EMALAHLEM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Statement of Financial Performance

43.2.8 Revenue

Property Rates

The estimated incremental amount for budgeting purposes was lesser than actual improved incremental amount.

Service Charges - Electricity Revenue

Difference considered reasonable

Service Charges - Refuse Revenue

The estimated demand in the second half of the year was not as high as in the first half, hence the under billing.

Rental of Facilities and Equipment

Slightly underbudgeted for Rentals based on low revenue for the first half of the year.

Interest Earned - External Investments

Lesser funds were invested due to lower funds available for investment due to quicker spending on existing projects.

Interest Earned - Outstanding Debtors

Difference considered reasonable.

Fines

Underperformance by the Traffic Department due to limited resources to perform law enforcement activities as they also perform daily tests at the station.

Licences and Permits

Improvement due to the Traffic Station being fully operational and increased number of people utilising it.

Agency Services

Difference considered reasonable

Transfers Recognised - Operational

Difference considered reasonable

Other Revenue

Underperformance was due to lower amounts recovered from the Insurance for claims made in the current year.

Transfers Recognised - Capital

Difference considered reasonable.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

43.2.7 Expenditure

Employee Related Costs

Difference due to savings from unfilled and vacated posts.

Remuneration of Councillors

Difference considered reasonable.

Debt Impairment

Budget was based on prior years as it is difficult to accurately estimate this expenditure.

Depreciation and Asset Impairment

Budget was based on prior years as it is difficult to accurately estimate this expenditure.

Finance Charges

Finance Charges budgeted only related to the finance lease.

Bulk Purchases

Difference considered reasonable.

Other Materials

Savings as a result of stricter expenditure controls and cost containment measures.

Contracted Services

Savings as a result of stricter expenditure controls and cost containment measures.

Transfers and Grants

A court case was settled before year-end which was not budgeted for.

Other Expenditure

Savings as a result of stricter expenditure controls and cost containment measures.

Derecognition of assets

It was not anticipated that the landfill site will be derecognised.

Cash Flow Statement

43.2.8 Net Cash from Operating Activities

Taxation

Improved payment rate for Taxes as the statements were more accurate in the second half of the year.

Service Charges

Low collection rate experienced through the year.

Interest

This is the actual amount received from the bank, the budget also provided for collection from

Other Revenue

Various unexpected funds received including insurance payouts.

Suppliers and Employees

Considered in line with the budgeted amounts.

Finance costs

Over provided based on prior years.

Transfers and Grants

Amount recorded under suppliers and employees as the amount was spent on goods and not issued in

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

43.2.9 Net Cash from Investing Activities

Proceeds on disposal of PPE

Non expected proceeds

Capital Assets

Incorrectly budgeted for in the budget.

43.2.10 Net Cash from Financing Activities

Repayment of Borrowing

Amount budgeted was based on prior year figures.

44. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

44.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

	2019 R	2018 R
Opening balance	5 819 238	-
Unauthorised expenditure current year - operational	20 728 093	5 819 238
Unauthorised expenditure current year - capital	-	-
Approved by Council or condoned	(5 819 238)	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>20 728 093</u>	<u>5 819 238</u>

Unauthorised expenditure can be summarised as follow

Incident	Disciplinary steps/criminal proceedings	2019 R	2018 R
Over expenditure of approved budget	Approved with a special adjustment budget in line with the guidance provided in Circular 68 of the MFMA - Resolution no: SCM 160/12/2018	<u>5 819 238</u>	<u>-</u>

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 Actual R	2019 Final Budget R	2019 Variance R	2019 Unauthorised R
<u>Unauthorised expenditure current year - operating</u>				
Budget and Treasury Office	36 858 969	31 767 072	(5 272 896)	(5 272 896)
Community and Social Services	41 101 429	41 658 125	556 698	-
Corporate Services	36 926 551	21 473 154	(15 455 397)	(15 455 397)
Executive and Council	33 221 779	34 783 604	1 541 825	-
Infrastructure Development and Human Settlements	57 032 806	57 083 872	51 068	-
Planning, Economic Development, Tourism and Agriculture	8 106 294	8 731 285	625 001	-
	213 248 845	195 477 122	(17 953 505)	(20 728 093)

	2019 Actual R	2019 Final Budget R	2019 Variance R	2019 Unauthorised R
<u>Unauthorised expenditure current year - capital</u>				
Community and Social Services	26 613 796	26 749 174	135 378	-
Corporate Services	43 304	870 000	826 696	-
Executive and Council	2 725 054	3 000 001	274 947	-
Infrastructure Development and Human Settlements	11 759 111	13 282 727	1 704 385	-
Planning, Economic Development, Tourism and Agriculture	1 048 901	1 200 000	151 099	-
	44 190 166	47 101 902	3 092 515	-

44.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure.

Opening balance	10 484	1 282
Fruitless and wasteful expenditure current year	5 124	13 848
Condoned or written off by Council	(10 136)	-
Fruitless and wasteful expenditure recovered	(4 676)	(4 626)
Fruitless and wasteful expenditure awaiting condonement	796	10 484

Fruitless and wasteful expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings	2019 R	2018 R
Interest incurred on late payment of suppliers			
Department of Transport	Written off by council through resolution no: SCM	-	9 388
Eskom	Investigated and recovered after year-end	-	348
SA Post Office	Written off by council through resolution no: SCM	-	120
Vox	Written off by council through resolution no: SCM	-	628
Eskom	Under investigation	132	-
Vox Telecommunications	Under investigation	485	-
Shapstone Wylie Attorneys	Under investigation	180	-
		796	10 484

44.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	10 669 060	1 650 620
Irregular expenditure current year	1 396 359	15 468 449
Irregular expenditure identified in current year relating to prior year	-	4 100 611
Written off	(15 468 449)	(1 650 620)
Irregular expenditure awaiting further action	5 496 870	19 669 060

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
Irregular expenditure can be summarised as follow:		
Incident	Disciplinary steps/criminal proceedings	
Service provider was contracted to advertise the municipality on their website without following SCM processes.	None	334 675
A service provider was paid in excess of the contracted amount without an approved variation order being in place.	None	94 584
An award was made to a supplier in service of the state who did not declare their interest. This was identified via Computer Assisted Auditing Techniques by the Auditor-General.	Written off by council during the Fifth Ordinary Council meeting on 30 May 2019, via resolution OCM 576/05/2019.	- 11 390
A contract was awarded to a supplier that did not comply with the minimum grading in terms of the Construction Industry Development Board	Written off by council during the Fifth Ordinary Council meeting on 30 May 2019, via resolution OCM 576/05/2019.	+ 8 956 195
Awards were made to suppliers where the Bid adjudication committee did not compose of the required number (4) of senior managers as required by Supply Chain regulation 29(2).	Written off by council during the Fifth Ordinary Council meeting on 30 May 2019, via resolution OCM 576/05/2019.	- 5 320 664
Award for Bid number: ELM/2/0/2017Q (Appointment of an accredited service provider to train ward committees on displaying understanding of core municipal processes & committee participation) was evaluated without considering functionality according to the predetermined specification.	Written off by council during the Fifth Ordinary Council meeting on 30 May 2019, via resolution OCM 576/05/2019.	+ 180 203
The municipality followed Section 18 of the Municipal Supply Chain Regulations by advertising the quotations for 7 days. The municipality however failed to obtain 3 quotations as required by Section 17 of the Municipal Supply Chain Regulations. No approved deviation was in place. This is due to a different interpretation of the regulations by the municipality and Auditor-General.	None	1 061 684
A COGTA investigation report recommended that the amounts paid in relation to Bid number ELM/2/11/2017T be regarded as irregular expenditure.	None	- 4 006 027
		1 396 359
		19 568 060

Irregular expenditure of R4 100 611 relating to the 2017/18 financial year was discovered during the 2018/19 financial year. The irregular expenditure for 2017/18 was therefore restated to include this amount.

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

44.4 Awards to suppliers in service of the state

The following awards were made to a supplier in service of the state during the year

Name of person	State organ	Capacity	2019 R	2018 R
Chume Mbende	Coega Development Corporation	Executive manager	230 147	245 011

45. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

45.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)

Opening balance	-	-
Council subscriptions	653 110	789 280
Amount paid - current year	(653 110)	(789 280)
Balance unpaid (included in creditors)	-	-

45.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance	-	(161 888)
Current year audit fee	5 289 670	3 619 146
External Audit - Auditor-General	5 289 670	3 619 146
Amount paid - current year	(5 289 670)	(3 457 248)
Balance unpaid (included in creditors)	3 864	-

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
45.3 VAT - [MFMA 125 (1)(c)]			
Opening balance		(105 550)	(2 855 849)
Amounts received - previous year		105 550	2 855 849
Amounts received - current year		5 063 626	6 108 244
Returns issued		(7 548 790)	(6 213 794)
Closing balance receivable		(2 482 964)	(105 550)
VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS.			
45.4 PAYE and UIF - [MFMA 125 (1)(g)]			
Opening balance		-	1 211 446
Current year payroll deductions and Council Contributions		12 473 517	11 250 818
Amount paid - previous year		-	(1 211 446)
Amount paid - current year		(12 473 517)	(11 250 818)
Balance unpaid (included in creditors)		-	-
45.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]			
Opening balance		-	-
Current year payroll deductions and Council Contributions		16 962 690	15 570 814
Amount paid - current year		(16 962 690)	(15 570 814)
Balance unpaid (included in creditors)		-	-
45.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]		2019 R	2018 R
The following Councillors had arrear accounts for more than 90 days as at 30 June 2019			
		Outstanding more than 90 days	
<i>M Lumba</i>		1 158	-
45.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27836 dated 30 May 2005			
Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(e) and (b)			
		Type of Deviation	
2019:	Amount	Single Supplier	Impractical
July	59 675	-	59 675
August	100 250	74 776	25 475
September	30 082	5 453	25 409
October	227 805	160 234	67 671
November	171 592	145 680	25 713
December	111 632	50 086	61 566
January	136 844	79 408	57 437
February	378 303	116 246	67 605
March	21 572	-	21 572
April	104 205	53 512	60 783
May	131 296	16 716	67 929
June	252 674	53 150	112 635
	1 725 101	755 442	643 389
			326 290

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2018:	Amount	Type of Deviation		
		Single Supplier	Impractical	Emergency
July	-	-	-	-
August	-	-	-	-
September	23 356	23 356	-	-
October	44 166	44 166	-	-
November	35 541	35 541	-	-
December	-	-	-	-
January	72 382	59 762	12 620	-
February	74 748	59 695	15 063	-
March	157 955	139 688	18 285	-
April	77 244	58 939	18 304	-
May	130 252	111 154	19 098	-
June	403 134	381 851	21 282	-
	1 018 777	914 152	104 625	-
			2018 R	2018 R

45.8 Material losses

Electricity distribution losses			
Units purchased (Kwh)			10 787 745
Units lost during distribution (Kwh)			2 611 126
Percentage lost during distribution			26,11%
Distribution loss (Rand Value)			2 986 982
			27,65%

The decrease in the losses is due to management's door-to-door inspections at the houses in Indwe. All broken and tampered with meters had been disconnected and were repaired.

46. FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

EMALAHLEN MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2019 R	2018 R
The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:		
1% (2018: 1%) Increase in interest rates	33 652	(39 890)
0.5% (2018: 0.5%) Decrease in interest rates	(16 826)	19 949

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due to the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying or penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

All rates and services are payable within 30 days from invoice date. Refer to note 6 and 7 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

The provision for bad debts could be allocated between the different classes of receivables as follows:

	2019 %	2019 R	2018 %	2018 R
Non-exchange Receivables				
Rates	26,78%	19 126 500	28,31%	16 876 078
Exchange Receivables				
Services	73,21%	52 257 158	71,69%	42 727 516
	100,00%	71 383 658	100,00%	59 603 594

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 6 and 7 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

<u>Ageing of amounts past due but not impaired are as follows:</u>	<u>Exchange Receivables</u>	<u>Non-exchange Receivables</u>
2019		
1 month past due	1 366 308	569 608
2+ months past due	6 349 186	4 301 420
	<u>7 715 494</u>	<u>4 851 328</u>
2018		
1 month past due	824 433	185 990
2+ months past due	2 142 458	2 172 151
	<u>2 966 889</u>	<u>2 358 141</u>

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2019 R	2018 R
Financial assets exposed to credit risk at year end are as follows		
Receivables from exchange transactions	63 571 093	4 014 264
Receivables from non-exchange transactions	24 301 249	5 910 505
Cash and Cash Equivalents	4 144 470	5 888 415
	<u>92 016 813</u>	<u>15 791 184</u>

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(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2018				
Long-term Liabilities	466 954	369 128	-	-
Trade and Other Payables	14 234 738	-	-	-
Unspent Transfers and Subsidies	1 533 060	-	-	-
	16 234 749	369 128	-	-
2018				
Long-term Liabilities	466 954	856 082	-	-
Trade and Other Payables	9 171 340	-	-	-
Unspent Transfers and Subsidies	-	-	-	-
	9 638 293	856 082	-	-
		2019	2018	
		R	R	

47. FINANCIAL INSTRUMENTS

In accordance with GRAP 104.45 the financial liabilities and assets of the municipality are classified as follows:

47.1 Financial Assets	Classification	2019	2018
		R	R
Receivables from Exchange Transactions			
Electricity	Financial Instruments at amortised cost	9 218 550	2 620 242
Property Rentals	Financial Instruments at amortised cost	3 321 563	2 678 198
Waste Management	Financial Instruments at amortised cost	49 739 265	40 303 030
Service charges	Financial Instruments at amortised cost	151 406	-
China Hanzi Debtor	Financial Instruments at amortised cost	1 140 309	1 140 309
Receivables from Non-Exchange Transactions			
Eskom		(0)	3 357 740
Other Receivables		57 644	8 634
Cash and Cash Equivalents			
Bank Balances	Financial Instruments at amortised cost	2 728 830	2 602 716
Cat Deposits	Financial Instruments at amortised cost	1 415 840	3 263 228
Cash Floats	Financial Instruments at amortised cost	470	470
Total Financial Assets		67 773 978	55 974 548

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
Financial Instruments at amortised cost:		
Receivables from Exchange Transactions	Electricity	9 218 650
Receivables from Exchange Transactions	Property Rentals	3 321 563
Receivables from Exchange Transactions	Waste Management	49 739 285
Receivables from Exchange Transactions	Service charges	151 406
Receivables from Exchange Transactions	Chris Hani Debtor	1 140 309
Receivables from Exchange Transactions	Eskom	(0)
Receivables from Non-exchange Transactions	Other Receivables	57 944
Receivables from Non-exchange Transactions	Bank Balances	2 728 830
Cash and Cash Equivalents	Call Deposits	1 415 640
Cash and Cash Equivalents	Cash Floats	470
	67 773 978	66 874 668
47.2 Financial Liabilities	Classification	
Long-term Liabilities		
Capitalised Lease Liability	Financial Instruments at amortised cost	779 237
Trade and Other Payables		
Trade Payables	Financial Instruments at amortised cost	5 428 812
Third party payables (Payroll)	Financial Instruments at amortised cost	7 813
Sundry Deposits	Financial Instruments at amortised cost	63 976
Sundry Creditors	Financial Instruments at amortised cost	76 352
Retention and Guarantees	Financial Instruments at amortised cost	8 655 783
Other payables	Financial Instruments at amortised cost	1 533 060
Unspent transfers and subsidies	18 647 033	10 319 328
SUMMARY OF FINANCIAL LIABILITIES		
Financial Instruments at amortised cost:		
Long-term Liabilities	Capitalised Lease Liability	779 237
Trade and Other Payables	Trade Payables	5 428 812
Trade and Other Payables	Third party payables (Payroll)	7 813
Trade and Other Payables	Sundry Deposits	63 976
Trade and Other Payables	Sundry Creditors	76 352
Trade and Other Payables	Retention and Guarantees	8 655 783
Other payables	Unspent transfers and subsidies	1 533 060
	18 647 033	10 319 328
	2019 R	2018 R
48. STATUTORY RECEIVABLES		
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows		
Taxes		
VAT Receivable	4 888 960	4 080 745
Receivables from Non-Exchange Transactions	24 243 305	19 420 209
Rates	24 243 305	19 420 209
Total Statutory Receivables (before provision)	29 130 264	23 600 954
Less: Provision for Debt Impairment	(19 126 500)	(16 876 076)
Total Statutory Receivables (after provision)	10 003 764	6 824 878

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
Reconciliation of Provision for Debt Impairment		
Balance at beginning of year	16 876 078	13 750 625
Contribution to provision	2 250 422	3 186 073
Reversal of provision	-	(80 519)
Balance at end of year	<u>19 126 500</u>	<u>16 876 078</u>
Ageing of amounts past due and impaired:		
1 month past due	(424 428)	-
2+ months past due	<u>19 716 406</u>	<u>17 062 069</u>
	<u>19 291 978</u>	<u>17 062 069</u>
Ageing of amounts past due but not impaired:		
1 month past due	689 806	185 890
2+ months past due	<u>4 361 420</u>	<u>2 172 151</u>
	<u>4 951 326</u>	<u>2 358 141</u>
Interest Received from Statutory Receivables		
Taxes	1 540 965	1 484 171
Receivables from Non-Exchange Transactions	<u>1 540 965</u>	<u>1 484 171</u>

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
49. CONTINGENT LIABILITY		
The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates.		
<i>Description of event</i>		
Summons was issued against Emalahleni Municipality by W Mkuyana. The Plaintiff, Mr Mkuyana, has sued the Municipality for damages based on non-compliance with the contract of employment by the employer. The matter was set down for trial in the Mthatha High Court in June 2016. The matter was postponed during the hearing on the 9th of June 2016 and a cost order was granted against the Plaintiff. During December 2017 certain properties of the Plaintiff were attached and subsequently sold on auction. An amount of R40 000.00 was realised from the auction. The matter was handled by SLC Attorneys because it was a pending matter before their contract with the Municipality expired.	3 191 000	
Magwayi vs Emalahleni Local Municipality: The Plaintiff is suing on behalf of the minor child, who was electrocuted at the Dordrecht sub -station. The Plaintiff is suing for damages based on the negligence of the Municipality to properly secure the substation. The Plaintiff is suing for an amount of R3,500 000.00 in damages. All papers have been exchanged between parties. The matter is set down for trial in August, pending negotiations between the parties.	4 000 000	
This matter has been settled for an amount of R10 567 503. A payable has been recognised for this amount and therefore no contingent liability exists at 30 June 2019. Refer to note 18.		
Vatala vs Emalahleni Local Municipality: The Municipal Manager and Director: Corporate services took the Municipality to court after council rescind their appointment. Council had rescinded that decision. Matter is still in court.	400 000	300 000
N Ngqola vs Emalahleni Local Municipality. Reclaiming attached vehicle that has been sold.	250 000	-
Ngqola vs Emalahleni Local Municipality. Spoliation order application on electricity supply disconnection	150 000	-
Mlungwana vs Emalahleni Local Municipality. Spoliation order application on electricity supply disconnection	150 000	-
Njuze vs Emalahleni Local Municipality Labour court claim for compensation for work allegedly done while acting in another post.	1 500 000	-
Marinus Grobler vs Emalahleni Local Municipality. Claim for payment for services allegedly rendered to the municipality	70 000	-
Claims against Council	2 620 000	7 431 000
CONTINGENT ASSETS		
A fraud case against employees amounted to R332 186.94 is in the process of investigation and mitigation.	322 187	322 187
Claims by Council	322 187	322 187

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
60. RELATED PARTIES			
Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents			
The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.			
60.1 Related Party Transactions			
		Rates	Service Charges
Year ended 30 June 2019		Rates	Service Charges
Councillors			Other
MS LIMBA		1 292	78
LCN NYUKWANA		9 586	644
	98 207	10 878	721
			Outstanding Balance
Year ended 30 June 2018		Rates	Service Charges
Councillors			Other
MS LIMBA		1 089	0
LCN NYUKWANA		-	1
PF GREYLING		2 177	41
PP GREYLING		1 089	3
PF GREYLING		2 177	10
PF GREYLING		-	1
PF GREYLING		2 288	6
PF GREYLING		811	(211)
PF GREYLING		113	(146)
PF GREYLING		583	(10)
PF GREYLING		5 235	(53)
PF GREYLING		-	(450)
PF GREYLING		10 049	(922)
	33 885	8 533	119
			(3 248)
The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.			
60.2 Related Party Loans			
None			
60.3 Compensation of key management personnel			
The compensation of key management personnel is set out in note 29 to the Annual Financial Statements.			
60.4 Other related party transactions			
The following purchases were made during the year where Councillors or staff have an interest:			
Company Name	Related Party	Service Capacity	
Universal Garage	P. Greyling	Councillor	259 214
Khazimle Holdings (Pty) Ltd	NM. Ziduli	Councillor	37 465
Mtyobile Trading and Projects (P N Mtyobile		Councillor	-
			296 679
			426 569

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

50.5 Other related party balances

The following outstanding balances exist at year-end where Councillors or staff have an interest:

Company Name	Related Party	Service Capacity		
Universal Garage	P.Greyling	Councillor	7 557	50 029
Khazimla Holdings (Pty) Ltd	N.M. Ziduli	Councillor	-	12 125
			7 557	62 154

51. FINANCIAL SUSTAINABILITY

Management is of the opinion that the municipality will continue to operate as a going concern and perform its functions as set out in the Constitution.

The Indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The current ratio decreased to 0.55:1 from 0.58:1 in the prior year

The municipality have budgeted for a surplus of R7 569 000 for the 2018/2019 financial year. The municipality is also budgeting for negative cash flows during 2018/2019 and 2019/2020 amounting to R11 562 000 and R5 086 000 respectively.

The average debtors' payment days decreased to 352 days from 748 days. Even though this is a significant increase, it is considerably below the expected 30 days. The debtors impairment ratio increased to 87% from the previous years 86%.

Other Indicators

Possible outflow of resources due the contingent liability disclosed in note 49

APPENDIX A
EMALAHLENI MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2019

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2018	Correction of Error	Received during the period	Redeemed or written off during the period	Balance at 30 June 2019	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with the MFMA
LEASE LIABILITY										
Xerox C405				17 908				(5 752)	12 156	16 751
Xerox C405				17 908				(5 752)	12 156	16 751
Xerox C405				17 908				(5 752)	12 156	16 751
Xerox C7020/5				17 908				(5 752)	12 156	16 751
Xerox C7020/5				17 908				(5 752)	12 156	16 751
Xerox C7020/5				17 908				(5 752)	12 156	16 751
Xerox C7020/5				17 908				(5 752)	12 156	16 751
Xerox C7020/5				17 908				(5 752)	12 156	16 751
Xerox C7020/5				17 908				(5 752)	12 156	16 751
Xerox WC7225				17 908				(5 752)	12 156	16 751
Xerox WC7225				17 908				(5 752)	12 156	16 751
Xerox CB070				136 863				(44 611)	94 271	126 807
Xerox CB070				136 863				(44 611)	94 271	126 807
Xerox CB070				136 863				(44 611)	94 271	126 807
Xerox CB070				136 863				(44 611)	94 271	126 807
Xerox CB070				136 863				(44 611)	94 271	126 807
Xerox CB070				136 863				(44 611)	94 271	126 807
Xerox CB070				136 863				(44 611)	94 271	126 807
Xerox DN5				251 635				(90 883)	170 842	236 560
Total Lease Liabilities				1 147 989				(358 752)	778 237	1 073 798
TOTAL EXTERNAL LOANS				1 147 989				(358 752)	778 237	1 073 798

APPENDIX B
EMALAHLENI MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R	2019 Surplus/ (Deficit) R	2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R
6 669 540 120 865 046	(31 782 847) (64 138 951)	(25 113 407) 56 726 095	-	129 725 497	(30 971 357) (82 146 878)	(30 971 357) 47 578 619
2 000 437	(20 270 499) (631 263) (2 489 258)	(16 270 062) (631 263) (2 489 258)	Executive and council Finance and administration Internal audit Community and Public Safety Community and social services Sport and recreation Public safety Housing Health	2 412 035 - 444 735	(8 039 398) (489 837) (2 473 873)	(5 627 363) (489 837) (2 029 138)
884 425 37 021 777	(7 656 513) (38 072 868)	(8 772 088) (1 051 091)	Economic and Environmental Services Planning and development Road transport Environmental protection	757 443 45 924 000	(11 624 726) (10 652 315)	(10 867 283) 35 271 685
10 385 363	(16 400 635)	(6 015 172)	Trading Services Energy sources Water management Waste water management Other	16 463 850	(33 758 025)	(17 294 375)
6 445 178	(9 132 866)	(2 687 787)	Sub Total	13 477 112	(32 572 194)	(19 095 082)
184 271 768	(190 575 801)	(6 304 033)	Less Inter-Departmental Charges	-	-	(3 524 131)
184 271 768	(190 575 801)	(6 304 033)	Total	209 204 472	(212 728 603)	(3 524 131)

APPENDIX C
EMALAHLENI MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019
MUNICIPAL VOTES CLASSIFICATIONS

2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R		2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R
6 669 540	(31 782 947)	(25 113 407)	Municipal Manager Mayor and Council	-	(30 971 357)	(30 971 357)
120 865 046	(44 742 522)	76 122 524	Chief Financial Officer Budget and Treasury Office	129 725 497	(38 768 945)	90 956 552
- 884 425	(19 971 938) (7 856 513)	(19 971 938) (6 772 088)	Director: Administration Corporate Services Planning and Development	- 757 443	(43 377 933) (11 624 726)	(43 377 933) (10 867 283)
1 994 694 5 743	(19 971 215) (1 170 233) (2 489 258)	(17 976 521)	Director: Community Services Community and Social Services Sport and Recreation Housing	2 412 035 - 444 735	(8 039 398) (489 837) (2 473 873)	(5 627 383) (489 837) (2 029 138)
37 021 777 10 373 468 6 445 179	(38 072 888) (15 813 131) (8 893 281)	(1 051 091)	Director: Technical Services Road Transport Electricity Waste Management	45 924 000 16 463 650 13 477 112	(10 652 315) (33 758 025) (32 572 194)	35 271 685 (17 294 375) (19 095 082)
184 259 872	(190 563 906)	(6 304 034)	Sub Total	209 204 472	(212 728 603)	(3 524 131)
			- Less Inter-Departmental Charges	-	-	-
184 259 872	(190 563 906)	(6 304 034)	Total	209 204 472	(212 728 603)	(3 524 131)

APPENDIX D
EMALAHLENI MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF BMFA, 56 OF 2003

Grant Description	Balance 30 June 2018	Correction of Error	Related Balance 30 June 2018	Interest during the year	on Investments	Repaid to National Revenue Fund	Operating Expenditure during the year	Carries the year Transferred to Revenue	Balance 30 June 2019	Unspent 30 June 2019 (Creditors)	Unpaid 30 June 2019 (Debtors)
National Government Grants											
Equitable Share	-	-	-	-	-	-	(\$16 774 000)	-	-	-	-
Finance Management Grant	-	-	-	2 415 000	-	-	(2 415 000)	-	-	-	-
Municipal Infrastructure Grant	-	-	-	43 932 000	-	-	(1 345 187)	(12 556 613)	-	-	-
Extended Public Works Programme	-	-	-	2 022 000	-	-	-	(2 022 000)	-	-	-
Total National Government Grants	-	-	164 152 000	-	-	-	(\$16 524 187)	(44 578 013)	-	-	-
Provincial Government Grants											
DEDEAT Waste management grant	-	-	-	3 000 000	-	-	(2 268 841)	(246 593)	486 761	-	-
Library	-	-	-	900 000	-	-	(300 000)	-	-	-	-
Total Provincial Government Grants	-	-	3 900 000	-	-	-	(\$1 168 841)	(248 593)	488 761	488 761	-
District Municipality											
Paving and beautification	-	-	-	500 000	-	-	(167 428)	-	12 174	12 174	-
Wetland based plants	-	-	-	600 000	-	-	(75 075)	-	424 126	424 126	-
Dryland cropping programme	-	-	-	300 000	-	-	-	-	300 000	300 000	-
Aerial plant project	-	-	-	30 000	-	-	-	-	30 000	30 000	-
Construction of fences	-	-	-	300 000	-	-	-	-	300 000	300 000	-
Total District Municipality Grants	-	-	1 630 000	-	-	-	(\$62 701)	-	1 000 300	1 000 300	-
Total Grants	-	-	169 843 000	-	-	-	(\$133 284 523)	(44 578 412)	1 533 080	1 533 080	-

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received. No grants were withheld.